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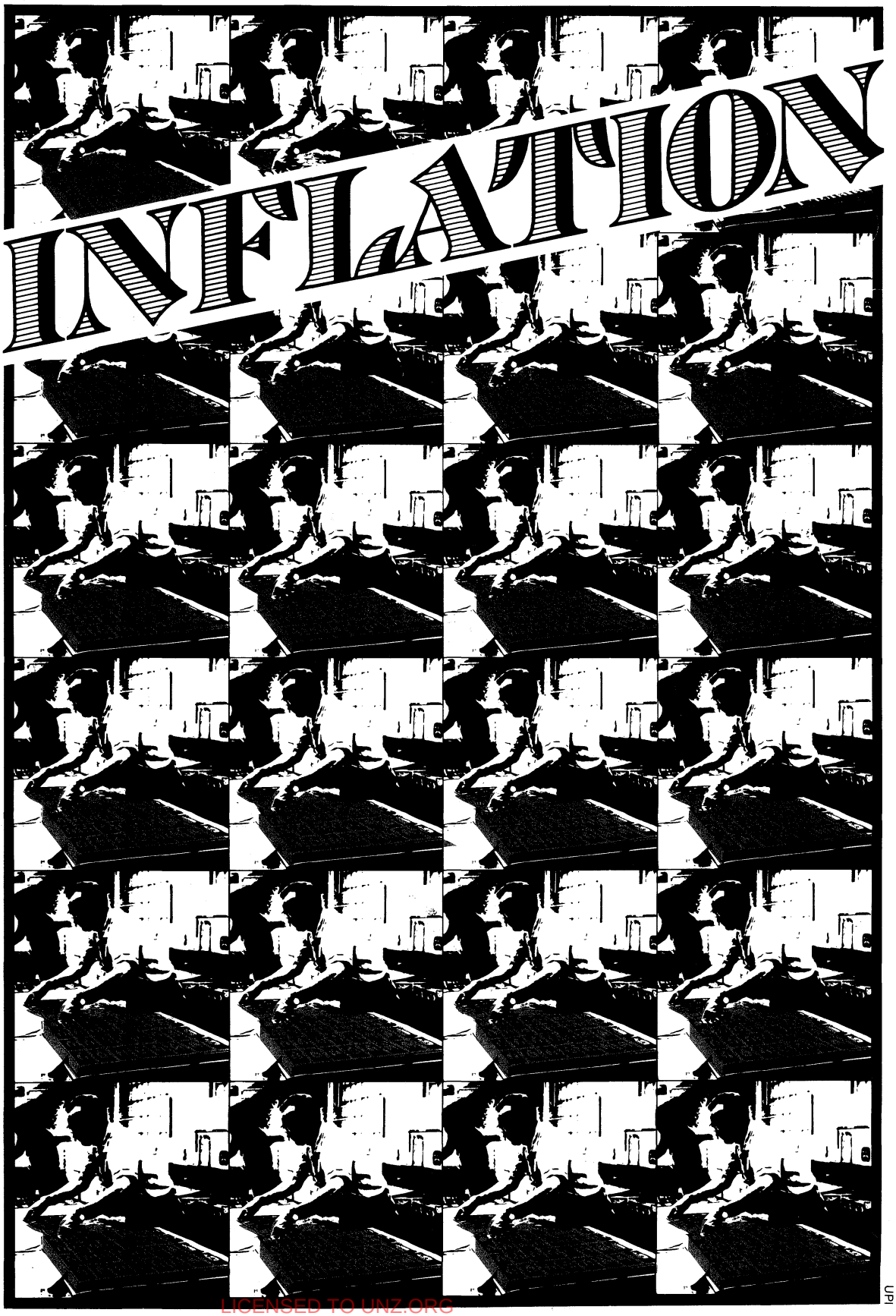

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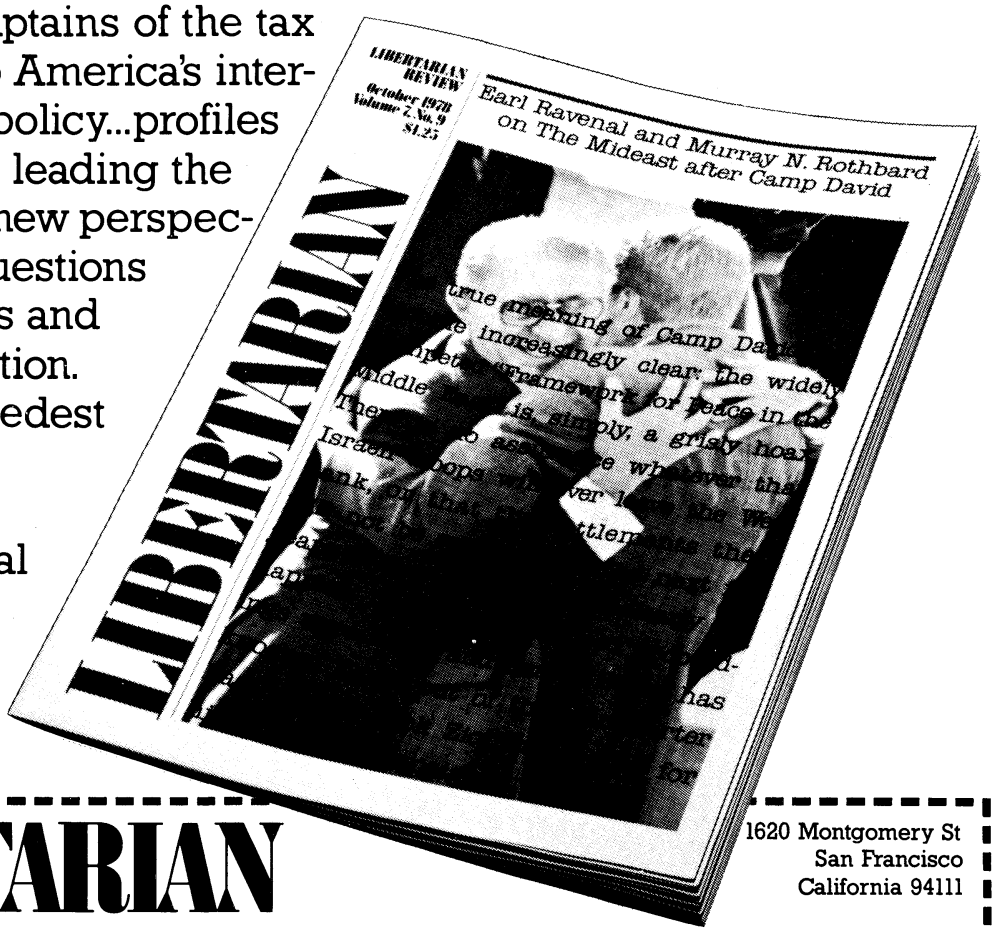

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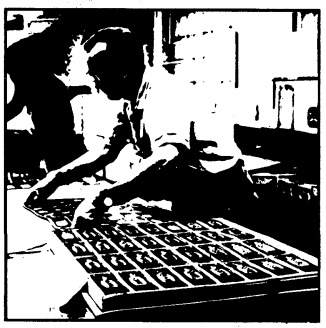

Untangling the Web of Inflation

by Christopher Weber

Inflation is driving prices up faster than ever before in American history. And President Carter's response has been an anti-inflation program which fleeces American wage earners while evading the root causes of the problem.

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THE LIBERTARIAN EDITORIALS

The inflation crisis

AFTER NEARLY A decade of erratic policies, the inflation crisis has hit us again. Vanquished since 1974, double-digit inflation is back, and shows no sign of abating. All signs point to an inflationary recession which policymakers had once told us could never happen. In January, consumer prices rose at an 11.8 percent annual rate—up from 4.8 percent in 1976, 6.8 percent in 1977, and 9 percent in 1978. All indications are that it will continue upward, wiping out both savings and standards of living. Those on fixed incomes such as pensions will face real declines in living standards; others will face rising unemployment. Anger and frustration will begin to build.

In reaction, government policy has become completely unstable, first inflating to combat unemployment, then slamming on the monetary brakes, and foisting upon the American people a hazy, "voluntary" program of wage and price "restraints" shrouded in veiled threats. Will we have mandatory wage and price controls? "Definitely not!" opines one voice. "Perhaps if . . ." squeaks another. Whom are we to believe, and what can we do about it? In this administration, the answer has become no one and nothing. If Carter's administration has done nothing else, it has at least given the lie to the mushy rationalization for government planning. That rationalization has always held that government planning makes for stability and predictability. Yet in modern pressure-group democracy, nothing could be further from the truth. One group after another is first flattered and then betrayed. Promises and commitments are made one moment, abandoned the next. Far from achieving stability, government policies have made private planning an impossibility, security a bitter joke.

Halting the inflation crisis will take vision and courage, and is therefore beyond the reach of either Republicans or Democrats. It certainly cannot be expected from the likes of Jimmy Carter. Inflation is ultimately caused by one thing alone: by increasing the money supply, by printing money and cheapening the value of the monetary unit. Yet if that is so, how are we to explain the current surge in prices? After all, the Carter administration, we are told, has overseen a slowing of the rate of growth in the money supply these last few months. Why then are prices still rising?

As Christopher Weber argues at greater length elsewhere in this issue (pp. 22-28), the answer is a simple one: when new money enters the economy, prices do not rise in a mechanical fashion. People do spend money as they receive it, according to their own preferences, and it works its way through the economy, gradually affecting various relative prices. But people do not simply increase their spending in proportion as they receive newly created money. At first, before prices begin to rise very quickly, they spend at their normal rate. Then, seeing prices rising at seemingly accelerating rates, they spend money faster and faster, to beat expected future rises in prices. Thus, as prices begin to rise at ever-greater rates, an inflationary psychology takes hold, and people, expecting prices to continue escalating, spend at greater and greater rates, pushing prices up still further. Thus, the fact that there is a lag between newly created money entering the economy and price rises and the fact that people's expectations of future price rises count for something in the economy mean that price rises may at first be *less* than the rate of creation of new money, and in later stages of an inflationary crisis may skyrocket *far beyond* the actual rate of monetary inflation.

Therefore, any attempt to slow down the rate of monetary expansion will *not* produce a slowing down of price rises until the inflationary psychology is broken. In a time of unstable government policy, and governmental "failures of nerve," this may take a long time. Thus, even through the rate of increase in the most significant money supply figure—"M2"—has slowed in the last thirteen weeks (as of this writing) to a mere 1.3 percent annual rate, the percent increase for the year-to-date is a much greater 7 percent. And figures over the longer run are much greater than that. So the increase in prices which has hit us is not *merely* a response to the relatively low rate of growth in the money supply over the past thirteen weeks, but to the much *greater* rate of money supply growth over the past decade and more. Despite a slowing of the growth of the money supply, therefore, prices will continue upward.

And so the question: will Carter cave in? Will he accelerate the growth of the money supply again, or even resort to mandatory wage and price controls?

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Given Carter's spinelessness, no one can be sure. Certainly his absurd program of "voluntary" controls won't work, and it is pointless to ask that they be "given a chance," as various weeping pundit-clowns have begged. So, with that safe assumption made, let's look at what is likely to happen, and what ought to be done instead.

If inflation continues to mount, pressure will either build for mandatory controls, or else, in the face of rising unemployment and a sharp downturn in economic indicators, Carter will be called upon to "stimulate" an abstract "aggregate demand," to promote so-called "full employment" by inflating. The result of this will be a recession: *both* unemployment *and prices* will skyrocket.

Nobody believes this administration when it pledges not to go to mandatory controls. So instead of reducing wages and prices in the face of a downturn in monetary demand—caused by restraints in the growth of the money supply—people will resist lowering their prices (including wages) because they will quite realistically fear that later mandatory controls would lock them into those lowered wages and prices. Faced with falling demand, people will hold out, waiting for a reversal of demand which will not take place—*unless* "reflation" begins.

These are the alternatives: if we resort to mandatory controls, the result will be massive shortages, followed by popular pressures to drop them, and rapid leaps of prices when the controls are dropped. If instead "aggregate demand" is "stimulated" by inflation ("reflation"), the result will be a temporary gain in some economic indicators, and, in the longer-run, even faster rises in prices, and an even *more* massive downturn in the economy. There seems no way out. And, given conventional economic and political policies, there isn't.

A different political program must begin with a different economic theory. Since the Age of Keynes—or Inflation—began, one dominant theory has stood in the way of political and economic progress. That dogma is symbolized by the Phillips Curve and its doctrinaire rationalizations. The Phillips Curve pretends to represent economic reality in terms of a simple "trade-off" between inflation and unemployment. To have less of one means to have more of the other, and vice versa. The theory here consists, as F.A. Hayek has put it, "in the assertion that there exists a simple positive correlation between total employment and the size of the aggregate demand for goods and services." By now, this simplistic doctrine has been smashed on the shoals of economic reality—which finds aggregate demand *and* unemployment rising at the same time—and also in the theoretical works of such economists as Hayek and Milton Friedman.

Moving beyond the bind of traditional politics and economics requires that we move beyond this doctrine. Far from leading to full employment, inflation of the money supply to stimulate "aggregate demand" *in fact* will only produce *more* unemployment in the long run than that with which we began. When unemployment exists—whether of labor or anything else—it is because there is insufficient demand for it at the prices which are being asked. It is because there has been a distortion of "relative prices," in the economy, because prices have failed to adjust to reflect economic reality. The true solution to unemployment, therefore, is to allow adjustments in supply and demand to be made: for some unemployed laborers to seek work in other areas or for some wages to drop slightly, so that more labor will be hired. So long as these adjustments are not made, unemployment remains a very real problem.

Inflation is no solution to the problem, because it causes the very thing it is meant to correct: the misdirection of labor and other resources in an economy. It draws resources—including labor—into those areas where new money is being spent. Those resources, in turn, can *only* remain employed so long as the inflation—the new money—continues to be directed into those areas. And, as prices work themselves upward through the economy, this means that "full employment"can only be sustained by *accelerating* inflation. When that spending and inflation come to a halt—as they eventually must—the result will be a sharp *increase* in unemployment.

Take the aerospace industry as an illustration here. Inflationary spending of government money drew resources—men and materials—into this area of employment, to work on government-financed pro-

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jects. As prices rose—an aftereffect of inflation—more and more money had to be spent in aerospace to keep the *same level* of employment. When the spending stopped, the result was a huge surge in unemployment in the aerospace industry—a veritable "recession." So it is with the economy as a whole.

This means that the only way to fight inflation is to halt the increase in the money supply totally, and to push for a system of *flexible wage rates* and other prices. And that, for conventional politics, is the rub.

For the dogma since the early 1930s has held that "we live in a world where wages can only rise." Thus it is held that we have to trick laborers into accepting lower real wage rates by cheapening the value of their money wage rates. Since wages are supposedly "rigid downward"—i.e. they can adjust upward in good times, but not be lowered in bad economic times—we can supposedly only promote full employment by inflationary policies.

The problem is that this manipulative approach has run out of steam. In inflationary times, unions and other laborers vie with monetary authorities, trying to second guess each other, trying to protect their wages from the ravages of inflation.

If we are to solve this critically important problem, we must realize that "sticky wages"—wages which do not adjust to economic reality—is now a paper tiger. We must promote a system of flexible prices and wages by removing government-imposed rigidities in our economy. *And we must make laborers aware that this is in their interest.* This task of persuasion will be easier than it seems.

We must remember that today the percentage of our labor force which is unionized is falling and is now slightly less than twenty percent. But more and more today unions realize that in bad economic times they must allow wages to fall so that demand may be increased and unemployment reversed. There are already examples of this happening in recent years: a few years ago, the all-powerful construction unions in New York State faced unemployment rates in construction of up to 18 percent. They allowed wages of some workers to be cut by as much as 25 percent (wages are now nearly $15 an hour, with double-time for overtime) for certain jobs, and the result was a dramatic surge in employment. Workers, moreover, made more money being employed at lower wage rates than they did by going on unemployment. So it was in their interest to accept the lower-than-usual wages. It also lessened the incentive of those undertaking construction projects to look for nonunion help, thus actually strengthening the unions and further increasing the demand for labor without inflationary policies.

But there is another, stronger, argument to use in convincing workers that they should accept a flexible wage-rate system, wages that will increase during times of high economic activity and decrease in times of low economic activity. And that is the effect of inflationary policies, in the long-run, on their pensions.

Ludwig von Mises, F.A. Hayek and others have shown beyond a doubt that it is inflationary policies pursued to prop up artificially high wage rates and other prices, which generate business cycles, with the attendant effect on business, prosperity, and economic growth. Well, then, reflect for a moment on the issue of pensions. Where is the money for the pensions of workers invested? For the most part, in the stock market. And what has been one of the most visible effects of inflation and the business cycle over the last decade? That the stock market has increased not a whit—the value of stocks stands at the same monetary level as a decade ago. Since other prices have doubled, this means that, by and large, *pension funds invested in the stock market have lost half their value in a decade.* If we combine this ominous fact with the falloff in the birthrate, we can see the danger ahead: unless we can bring the business cycle under control, by halting inflationary monetary policies and returning to a system of flexible wage rates (and other prices), when workers reach retirement, their pensions will be worthless.

And that is the choice which unions and other workers face today: to understand that the pursuit of an illusory "full employment" policy by means of inflationary monetary policies, will only set further business cycles in motion, wreck the stock market, decrease the value of the currency and of pensions, and lead to real, widespread, human misery as today's workers reach retirement age.

The only alternative is to freeze the money supply, and begin promoting flexible prices, for labor *and* other goods and services. This is the only way we can both halt inflation and pursue a true full employment policy. Any other alternative will simply lead to continuing crises, the destruction of the market economy, the spread of human misery, and the rise of totalitarianism. And from that there may be no road back.

—RAC

Coming out of the closet

MOST LIBERTARIANS are well aware of the National Organization for the Reform of Marijuana Laws. But it isn't at all certain that most libertarians look upon NORML with the friendliness and supportiveness it deserves. True, NORML has adopted what could only be called a wishy-washy position on the dope question for many years, calling for "decriminalization" instead of "legalization" of the devil weed, for example—so that you could grow your own for your personal use, but you couldn't buy or sell the stuff, or smoke it publicly, or even carry it with you in any significant quantity when you left the house. And attorney-politician Keith Stroup, the founder and, until recently, national director of the organization, has embarrassed his radical constituents with depressing frequency, by talking about the debilitating effects of pot smoking and speaking of it as a social problem comparable to alcohol drinking (which is something like thinking of bicycles as a safety hazard comparable to automobiles).

Still, there have been signs all along that the problems with NORML were more strategic than philosophical. When Stroup founded the organization ten years ago, he wanted to call it the National Organization for the *Repeal* of Marijuana Laws, but was dissuaded by a more experienced politician named Ramsay Clark, who argued that so radical a name would put off many potential supporters. This surely suggests that Stroup was starting out with the proper goal in mind, and only began working toward

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Keith Stroup

a lesser goal out of a sense of political reality.

There is also the matter of where NORML's funds come from, namely the Playboy Foundation of publisher Hugh M. Hefner. Hefner, as his celebrated "Playboy Philosophy" makes clear, is fundamentally (if not always consistently) libertarian in his approach to thinking about social issues. "*The Playboy Philosophy,*" Hefner wrote nearly twenty years ago, "is predicated on our belief in the importance of the individual and his rights as a member of a free society. . . . Society benefits as much from the differences in men as from their similarities, and we should create a culture that not only accepts these differences but respects and actually nurtures them . . . Blessed is the rebel—without him there would be no progress."

Finally, and most persuasively of all, there is the news which came out of the seventh annual NORML conference, held early this year in Washington. Larry Schott, the new national director of the organization, and Keith Stroup, who is now chairman of its board of directors, announced at that meeting that the official policy of NORML has changed—away from "decriminalization" and toward "legalization."

"It only took us nine years to say we wanted legal dope," Stroup told reporters. "Nine years of being hypocrites to ourselves and the smugglers who bring in the dope we smoke. The people who sell marijuana are also our friends, not violent criminals." he joined Schott in calling for immediate abolition of the federal Drug Enforcement Administration.

None of this means that NORML is *not* still working for "decriminalization" of the weed. Gordon Brownell, the organization's Western Regional Coordinator, describes that plan as the most politically feasible one the organization can work to adopt in the immediate future. He points out that such roadblocks to full legalization as the international anti-marijuana treaties to which the U.S. is a party will be entirely removed only after years of work. Why not work in the short run for "decriminalization," which would at least reduce penalties—and in some cases eliminate them altogether—for the majority of marijuana users? Why not work diligently for what Murray Rothbard calls "transition demands"? It is quite "legitimate and proper," Rothbard writes, "to advocate transition demands as way-stations along the road to victory, *provided* that the ultimate goal of victory is always kept in mind and held aloft. In this way, the ultimate goal is clear and not lost sight of, and the pressure is kept on so that transitional or partial victories will feed on themselves rather than appease or weaken the ultimate drive of the movement."

It appears that this is the path being consciously chosen at last by the major organization in the fight to eliminate our puritanical and fascistic drug laws. NORML deserves our support in its newly defined campaign, for it has come forward—ten years too late, perhaps, but better late than never—as an uncompromising advocate of liberty.

—JR

Involuntary servitude

"NATIONAL SERVICE" surfaces again, this time in two incarnations: the conservatives begin the chant to revive the military draft; the liberals sing the praises of non-military work for all our lucky little teenies. The compromise proposal calls of course for a choice, the assumption being that if one can choose to don a military uniform or the costume of the do-gooder, then all objections to conscription are washed right out of our hair.

Some alarm has been sounded by those who observe, accurately, that blacks have enlisted voluntarily in the military in numbers greater than their proportion of the population at large. The implied premise of the objection is that if the military is "too" black, it may somehow not be responsive to the needs of a non-black America. At bottom, that is, the objection is racist. If, in fact, a military with, say, 40 percent Negro enlistment is a danger to the Republic, then the whole thrust of integration is a bust, and we had best exclude Negroes from all but kitchen work and have done. Or else, admit that the objection is hysterical and avoid using it as an argument in favor of a restored draft.

Some of those who carry their objections to what they insist on calling "women's lib" to the farthest reaches of absurdity—those, that is, who think that Phyllis Schlafly is the high priestess of reason—complain that even voluntary enlistment by a large number of women would be a bad thing for this country. One might well share their objection to the involuntary conscription of women, but to deny women

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the right to choose military service hardly accords with the women's lib philosophy of the freedom of choice.

What has emerged from the latest statistical evaluation is this: the Army is today the only major arena in American society where black educational levels surpass those of whites. As Professor Charles Moskos of Northwestern University said to Congress last year: "Whereas the black soldier is fairly representative of the black community, white entrants are coming from the least educated sectors of American society." This, obviously, reflects the alarmingly high rate of Negro unemployment in this country. Chalk up another negative mark for the minimum wage. And add a hefty dose of racism. Then combat both, intelligently, and make military service more attractive: these are the free nation's response to the current situation in the military. The authoritarian response is the call for reinstatement of the draft.

From the other end of the political spectrum comes Congressman Paul McCloskey's plan for "national service," by which he means the compulsory enlistment of every American youth in either the military or domestic do-gooding work. Mr. McCloskey would permit the kids to choose. Which is very nice of him, and no doubt erases any doubt he may have about the contradiction between such compulsory service and what one presumes is his philosophical commitment to freedom.

But liberty cannot be compromised with slavery, even with temporary slavery, even when that slavery is done in the name of Goodness, even when that slavery is called "national service" and is designed to channel our energetic youths into wonderfully helpful work in the "ghetto." We have quite enough compulsion in this country as is. At the point of a gun, government takes an increasingly larger share of every worker's income; this is called 'the income tax" and "FICA," but it is legalized theft no matter what it is called. That is bad enough. To take people's bodies as well as their money merely compounds the crime of government. Neither the draft nor "national service" is acceptable in a free country. Both are bad ideas that deserve firm rejection.

—DB

The Laetrile issue

THE RECENT CASE OF three year old Chad Green has reopened the temporarily dormant controversy over Laetrile, which millions of Americans regard as a miracle cancer cure, and thousands of doctors and other medical professionals regard as a fraud.

The medical establishment may well be right about Laetrile. There *is* no hard evidence of its effectiveness against cancer. And it's true that Laetrile had a long and checkered history before it emerged in the early 1950s as a cancer cure. Before that it was advocated for use in the rapid aging of bootleg whisky, and in the control and prevention of flatulence. And as far as anybody knows it was worthless for those purposes too.

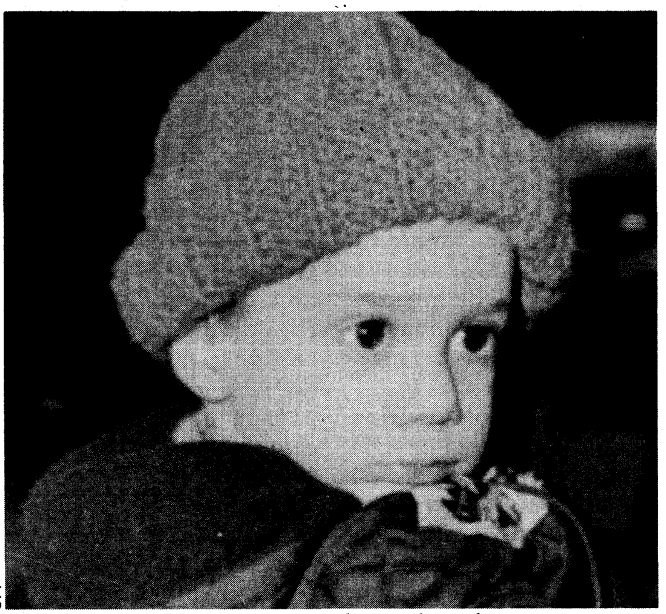
On the other hand, consider the recent success of the medical establishment, with its surgery, its radiation therapy, and its chemotherapy. With every passing year, the cancer death rate gets worse, not better. And since the 1950s, despite the billions on billions of dollars which have been spent by patients and taxpayers to cure the disease, cure rates have only improved on the average by about 1%—and the cure rates have actually *declined* for some cancers, such as cancer of the cervix. The fact is, the medical establishment doesn't know much more about cancer now than Hippocrates did 2400 years ago.

Is it any wonder then that millions of people are looking for alternatives to the cancer therapies offered by the medical establishment? Is it any wonder that they are unconvinced by warnings that they may die if they depend on quack treatments? After all, they're almost certain to die if they depend on the recognized treatments. Is it any wonder that they turn a deaf ear on the medical establishment's claims that Laetrile doctors are unscrupulous frauds who make millions from the misery of cancer victims and their families? After all, the physicians who dispense the conventional therapies charge a great deal more for their useless efforts than the Laetrile doctors charge for theirs. It costs far more to die of cancer after enduring surgery, radiation treatments and chemotherapy than it does to die of cancer at a Laetrile clinic.

But the effectiveness of Laetrile and of the conventional cancer therapies isn't really the issue here. The parents of Chad Green have not gone on record as believers in the value of Laetrile and the worthlessness of other cancer drugs. They have continued to treat their son's leukemia with chemotherapy, just as the medical establishment of Massachusetts wants them to. But they have refused to obey a court order forbidding them to make use of Laetrile as a concurrent method of treatment. They have fled the jurisdiction of the court responsible for that order, and have refused to be threatened into giving up and returning to their home state.

The Greens, it would appear, are concerned about the issue around which the entire Laetrile debate really centers: the issue of who is to be in charge—the patient or the doctor. No combination of doctors and judges is legally empowered to order anyone to stop treating his appendicitis with mustard plasters or his broken leg with cough syrup and report immediately to a hospital. Why, pray tell, should it be different with cancer and Laetrile?

—JR



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Chad Green: leukemia victim and Laetrile patient

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Guest Editorial

Half past Carter

IN TONE AND SPIRIT, the foreign policy of the Carter administration now looks even more interventionist than its predecessors. You can applaud this or deplore it, but one thing stands out: If that is all this administration was going to do, then what was all the shouting about in its presidential campaign of two years ago, and indeed during its eight years as critics, before that?

What this administration wanted, it seems, was to find some superficial way of distinguishing its foreign policies from those of Nixon and Kissinger, which were regarded as tainted by their very association. The Carter administration wanted the policies of Nixon and Kissinger without the embarrassment of Nixon and the kibitzing of Kissinger. Actually, if the Carter administration foreign policy makers had their "druthers," they might have tried to move American foreign policy back from the balance of power cultivated by Nixon and Kissinger to a policy involving, once again as in the early 1960s, a flourish of moralism, alliance loyalism, and anti-communist ideology. They did try to introduce several novel elements, such as human rights and nuclear nonproliferation.

Unfortunately, these thrusts came to look like attempts to reheat the Cold War and to get control of our errant and competitive allies. Measured against the accomplishments of Nixon and Kissinger, the so-called "new foreign policy" of Carter and his national security advisor, Zbigniew Brzezinski, looks more like a retrogression. It proliferates goals, commitments, and concerns, and scatters promises and guarantees around the world and pledges our defensive collateral several times over, rather like an ambitious country banker—say, Bert Lance.

LOS ANGELES TIMES

"NOW, IN DISCUSSING HUMAN RIGHTS, DISTINCTION MUST BE MADE BETWEEN AUTHORITARIAN AND TOTALITARIAN REGIMES..."

But intentions—even good intentions—don't produce good actions in a frustrating and intractable world. So, by now, the only remaining friends of this administration are those who never took its promises seriously in the first place. What we now see is all those nice liberal people recruited by the Carter administration becoming "born-again hawks," though, they assure us, reluctantly. Maybe we should stop worrying about the real, original hawks, and start worrying about our liberal friends in the Carter administration, who first asked for our trust and support, when they promised to change things, and now ask for our sympathy, too, now that they are doing the same old things.

Actually, Carter's human rights campaign has turned out to be a tissue of hypocrisies. This administration continues to prop up dictators—as long as they are considered "essential"— like Park in Korea, Marcos in the Philippines, and—until January —the Shah of Iran. And this administration has pursued across-the-board competition with the Soviet Union with an enthusiasm so pure that it would look like a kind of benign idealism, except for the risk and expense. According to the deep thinkers of the Carter administration, we're supposed to be well out of the Cold War and into some kind of "Era Two"—as if we could *define* ourselves into another world. Carter summoned us to give up our "inordinate fear of communism"—only to replace it, as it turns out, with a sort of *ordinate* fear of communism. Given the fatuous optimism and naive exuberance of the Carter administration, the Spenglerian pessimism of Kissinger and the paranoia of Nixon seem in retrospect and in comparison almost like a blessing.

—Earl C. Ravenal

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OPENING SHOTS

BILL BIRMINGHAM

TIDBITS FROM that "lean and austere" $532-billion budget: it provides for $2,960,000 to maintain the White House (including that $100,000 paint job), up $274,000 from this year .... Carter will get $15,000 for "official entertainment," almost double the $8000 he got in his first year in office .... It will cost $196,000 to run the Senate garage, up $32,000 .... The Botanic Garden, which provides the House and Senate offices with plants and flowers, will get $1,470,000 .... The $3.6 million beekeepers indemnity program was struck from the budget, as it is every year; but Congress will surely reinstate it, as it does every year .... Nor is the $300,000 cut (its entire budget) in the National Board for the Promotion of Rifle Practice likely to stand; last year the Senate (heavily lobbied by the National Rifle Association) expressed its displeasure at such a recommendation by a vote of 82-15 .... Working seven days a week, it would take the Bureau of Engraving and Printing 121½ years to print 532-billion $1 bills.

Plagued by anti-nuke ideologues who claim that nuclear power plants are the spawn of diabolical, profit-crazed Korporate Kapitalism? Treat them to this quote for *fast* relief: "Our monster cities ... might now be humanized, broken into smaller communities powered by nuclear energy." That's from the 1962 "Port Huron Statement" of that well-known bastion of Korporate Kapitalism, Students for a Democratic Society.

"There was no reduction in illicit production of opium and opiates," says the UN's International Narcotics Control Board. "On the contrary, production seems to be increasing." Users of recreational drugs will surely be pleased to hear that, as well as the Board's pessimism about getting a handle on the narcotics trade in the future. It's all the fault of those familiar devils, supply and demand: "Financial incentives for the traffickers and the pressures of illicit demand are such that the elimination of one source of supply may cause a temporary disruption for the traffickers but is quickly replaced by another."

Maybe Nixon's appearance at the White House when Teng Hsiao-ping came to call was a special case (surely the Tricky One can look socially acceptable only in the company of Communist dictators?), but we must assume the worst; we will have Richard Nixon to kick us around some more. So it is appropriate to note that by the *Los Angeles Times*'s estimate "he is now a millionaire." The Mad Bomber is supposed to have raked in more than $500,000 when he was interviewed by David Frost and an additional $1-million-plus in royalties on his memoirs—which, believe it or not, sold 300,000 hardcover copies. While this might be thought of as a praiseworthy exercise in Social Darwinism—parting fools and their money—be advised that (according to the *Times*) "The federal government has spent a total of $625,642 on Nixon's personal services, travel and office expenses, not including his pensions or Secret Service protection, from his resignation Aug. 9, 1974 through last Sept. 30." (January 26, 1979.) Last year Nixon's pension amounted to about $78,000, and just after he was "hounded" from office his SS protection cost $622,000 a year. There have been a few attempts in Congress to get Tricky's snout out of the public trough (the last one, by then-Senator James G. Abourezk, died on a vote of 89 to 2), as well as one civil suit to stick him with the cost of the Watergate investigations (after all, did he not say "I must pay the price" when he spoke on French TV last November?). "None of these efforts got anywhere," said the *Times*. "They are labeled vindictive and unfair by his supporters."

When the commissioners of Carroll County, Ohio, refused to give Judge Patricia Anderson all the money she wanted to run her office, she threw them in jail for contempt of court. Robert Kellogg, Robert E. A. Smith and Dale Williamson received ten-day sentences and fines of $500 each for the high crime of appropriating only $40,784 for Her Honor, instead of the $53,000 she wanted. (The appropriation was still 23% more than what Judge Anderson got in 1978, by the way.) And it's entirely legal; the Ohio Supreme Court upheld similar jailings in 1976.

The people who conduct the Gallup Poll recently decided to find out what Americans think about civil defense. Whereupon they asked: "Russia is said to be spending many times as much protecting [sic] its people from nuclear attack as the US is spending. Do you think we should do more than we are doing, do less or do you think our present efforts are about right?" After being asked

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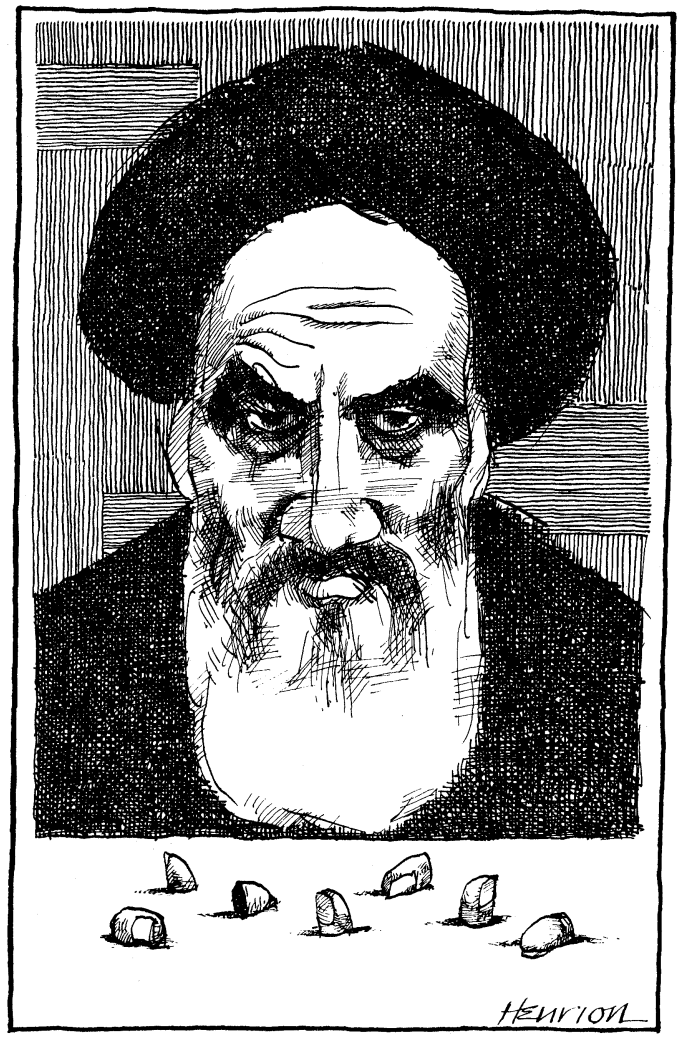
that wonderfully fair and unbiased question, 52% of the respondents wanted more civil defense, 7% less and 30% thought current efforts "about right." One wonders, though not very much, what the result would have been if the question had been prefaced with the fact that "only a year ago the [Civil Defense] agency director himself, Bardyl Tirana, assured Congress that an additional appropriation of $44 million was not needed. And before that, Defense Secretary Harold Brown was saying the United States should not make the mistake of following the Russian example in this area." (*The Progressive,* January 1979.)

The usual freak weather conditions are causing the usual food shortages in socialist Vietnam. The citizens of Ho Chi Minh City (*nee* Saigon) now get only one kilogram of rice per month where they got nine kilograms just two years ago. (In the traditions of the Marxian "classless society," government workers get three kilograms a month.) The weather is not, shall we say, *entirely* to blame; Gareth Porter, writing in the January 17, 1979, issue of *In These Times,* reveals that the Hanoi regime attempted to suppress the black market in rice until August 1978. By then the rice shortage in Ho Chi Minh City was so severe that the government decided to end the restrictions on private rice trading. "But although the order has been carried out in some areas, it is being ignored in others," Porter writes. "Buses are still being stopped [on the roads to Ho Chi Minh City] and supplies of rice greater than required for a single family's needs for a week are being confiscated." Such practices have had the predictable results; "The price of rice on the black market is said to be three times higher in Ho Chi Minh City than in towns only 100 kilometers away." And Porter quotes "an economic specialist" as saying: "The main thing we are thinking about now is providing enough glucose to prevent starvation."

After all that brouhaha over Norval Morris, that vile apologist for dope fiends and other consenting adults, Jimmy Carter could hardly be expected to nominate anyone who might be soft on drugs to boss the Law Enforcement Assistance Administration. Still, one could have hoped for better than Henry Dogin, who is now acting administrator of LEAA—and who used to head the Drug Enforcement Administration. Let's hope the Senate accepts him; Carter might just nominate Pol Pot next.

It is a canard that an "Islamic republic," such as the Ayatollah Khomeini desires for Iran, would do brutal things like chopping off the hands of thieves. Ayatollah Mehdi Rouhani, a leader among the Shiite Muslims in Europe, informed *Newsweek:* "You don't cut off the whole hand—just the fingertips." Good old Andy Young must have had that in mind when he gushed "Khomeini will be somewhat of a saint when we get over this panic."

Porcine sexism looks good, mighty good, in light of a new Pentagon recommendation that the Navy purge itself of "sexist" language. Under the new dispensation, seamen would be sailors, midshipmen midshippeople (as in *Mr. Midshipperson Hornblower?*) and a ship would no longer be referred to as "she," but as "it." " 'They might as well make us claim the world is flat again,' moaned a Navy officer in Washington—a woman who did not want her name mentioned." (*Los Angeles Times,* January 19, 1979.)



In Marin County, as every TV viewer knows, they Want It All Now. Except for Jung T. Wang's elk antler ranch, of which they want None Ever. Mr. Wang wants to import and raise a herd of Rocky Mountain elk, and cut off their antlers for use in Oriental aphrodisiacs. Although one might think such an enterprise would be tailor-made for Marin, various Marinites deem it "inhumane" and otherwise unlovely ("I don't want Marin County to be known as a place where a useless product is grown," cried one) and are suing the California State Fish and Game Commission for permitting it. The county board of supervisors declined to contribute $2000 of county money to advance the suit but did tell the county counsel to contribute 15 hours of legal work. If the suit is successful, an environmental impact report may be needed, which could bar the elk ranch from Wang's agriculturally zoned land (elk ranching is not "agriculture," it seems). Wang has already had his problems with the Fish and Game Commission, which had refused to let him import the Rocky Mountain elk until he promised to keep them behind a double, ten foot high fence, lest they escape and miscegenate with the native Tule elk. ❑

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THE PUBLIC TROUGH

Businessmen and "Uncle Sugar"

BRUCE BARTLETT

ONE OF THE principal differences between libertarians and conservatives has always been their contrary attitude toward businessmen. Conservatives glorify and ally themselves with business, while libertarians are essentially neutral—siding with business when it is right, but pulling no punches when it is wrong. The conservatives, no matter how much they may realize that businessmen are subverting their goals, cannot attack business because, unlike the European conservatives, they have no other institutional base. In Europe the conservatives have a natural, historical alliance with those institutions which traditionally oppose change: the landed aristocracy, the church, the military and big business. In the United States, as Louis Hartz has pointed out, such alliances are impossible, for historical and cultural reasons. Because of this, American conservaives really have no natural ally, except for business. So they are forced to lie in the same bed together whether they like it or not.

Because of the unholy alliance that exists between the conservatives and business, the conservatives find themselves forced to defend business even when they know it is wrong. The classic case is when businessmen proclaim the virtues of the free market, thus finding common cause with both libertarians and conservatives, while actively seeking government favors for themselves. When this contradiction arises, the libertarians immediately drop support for any businessman involved, but conservatives cannot. The result is, obviously, an undermining of the conservative position. If the businessmen repaid the conservatives for their support with large financial contributions then it might be a worthwhile trade-off. But the real irony is that businessmen do not support conservatives generally except when it serves their interest. Thus in the recent election it was found that while labor gave almost all its financial support to liberal Democrats, corporations gave no similar support to conservative Republicans.

The businessman's attitude, reprehensible as it is, is at least understandable in this context: If they give their money to liberals they may not buy support for the free market in general, but they can buy support for that corporation's or that businessman's particular interests. Indeed, since liberals have no philosophical opposition to government intervention in the economy they are actually preferable to conservatives as far as businessmen are concerned, if their desire is to get a government contract or a new regulation that will stifle competition. And if by chance a Republican should win, nothing is lost. The Republican has no other institutional base and will

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have to ally himself with business whether he wants to or not, in order to get reelected.

If the Republican Party were smart it would realize that it gains nothing and loses much by being a mouthpiece for business. Although it is somewhat better off financially than the Democratic Party, it has been manifestly unsuccessful in translating this advantage into electoral victories generally. So even if it lost a few dollars, this could be more than offset by gaining new credibility with the American people. In fact, the party would probably not lose any money anyway, because businessmen would have to buy their influence with Republicans just as they now do with Democrats.

I believe the day is coming when conservatives will have no choice but to adopt a libertarian attitude toward business. The contradictions are becoming too acute. Thus William Simon writes in his book, *A Time for Truth:*

> Throughout the last century the attachment of businessmen to free enterprise has weakened dramatically as they discovered they could demand—and receive—short-range advantages from the state. To a tragic degree, coercive regulation has been invited by businessmen who were unwilling to face honest competition in the free market, and by businessmen who have run to government in search of regulatory favors, protective tariffs, and subsidies, as well as those monopolistic powers which only the state can grant. In the process of seeking such advantages—such protection from freedom—business itself has helped build up the very government powers which are now being used to damage and even to destroy it.

During my tenure at Treasury, I watched with incredulity as businessmen ran to the government in every crisis, whining for handouts or protection from the very competition that has made this system so productive... And always, such gentlemen proclaimed their devotion to free enterprise and their opposition to the arbitrary intervention into our economic life by the state.

Unless the conservatives break their unholy alliance with business and adopt the libertarian position, the liberals may move into the gap and adopt it for themselves. There is considerable evidence that the Carter Administration will continue to make an issue out of deregulation, by hitting at those self-serving businesses which have benefited from regulation for so long. First it was the airline industry and next will likely be the trucking industry. In each case it was the businessmen who opposed deregulation, thereby playing right into Carter's hands. And, as a consequence, many conservatives were forced into the position of defending the industry's interests. Senator Barry Goldwater, for example, whose *Conscience of a Conservative* extolled the virtues of a free market, was a staunch foe of airline deregulation.

Recently, Joan Claybrook, a liberal ex-Naderite who is a member of the Carter Administration, sounded what may be a key Carter campaign theme in 1980 when she asked: "How many trucking and airline companies have been ready to shoulder the old-fashioned rigors of market pricing and entry by supporting proposals to put the regulators of these industries out of business? It is compellingly clear that many corporations welcome government when it is subsidizer of last resort, lender of last resort, guarantor of last resort, insurer of last resort, and cartel-defender of last resort." In short, she says, "Uncle Sam is fine when he plays Uncle Sugar." (*Regulation,* Nov/Dec 1978)

If Carter follows through with such an appeal by adopting a more libertarian attitude toward business it could gain him powerful support and help ensure his reelection. Republicans, conservatives, and businessmen should beware. ❑

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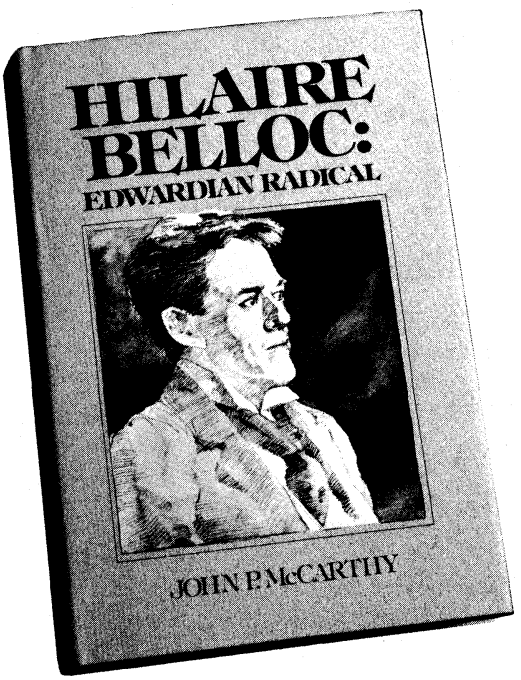

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LIBERTY'S HERITAGE

Voltairine de Cleyre

SHARON PRESLEY

EMMA GOLDman called her "the most gifted and brilliant anarchist woman America ever produced." Yet today Voltairine de Cleyre is virtually unknown even among libertarians. She is discussed only briefly in histories of American anarchism and is not even mentioned at all in the more general studies of James Joll, George Woodcock and Daniel Guerin. Though her writing was both voluminous and powerful, she appears in only one modern anarchist anthology. (*Man! An Anthology of Anarchist Ideas, Essays, Poetry and Commentary,* edited by M. Graham.) Only two recent collections of American radical thought include her classic "Anarchism and

American anarchist feminist Voltairine de Cleyre: a nearly forgotten major figure in the libertarian movement of the 1890s

American Traditions"; and ironically, neither is primarily anarchist in content. (See *American Radical Thought,* edited by Henry Silverman, and *Law and Resistance,* edited by Lawrence Veysey.)

Voltairine de Cleyre was, in the words of her biographer, Paul Avrich, "A brief comet in the anarchist firmament, blazing out quickly and soon forgotten by all but a small circle of comrades whose love and devotion persisted long after her death." But "her memory," continues Avrich, "possesses the glow of legend."

In *An American Anarchist: the Life of Voltairine de Cleyre* (Princeton University Press,1978), Avrich makes that legend come alive, revealing not only Voltairine de Cleyre the anarchist but Voltairine de Cleyre the person as well. Researched with Professor Avrich's usual thoroughness and skill, but never dry, this biography paints a fascinating portrait of a woman whose story richly deserves to be told.

Born in a small village in Michigan in 1866, Voltairine, plagued all her life by poverty, pain and ill health, died prematurely at the age of 45 in 1912. The short span of her life, ending before the great events of the 20th century, is, in Avrich's opinion, the major reason why Voltairine de Cleyre has been overlooked, unlike the longer-lived Emma Goldman and Alexander Berkman.

The strength of will and independence of mind which so strongly characterized this remarkable woman manifested themselves early in Voltairine 's life. Forced into a Catholic convent school as a teenager, she chafed at the stifling, authoritarian atmosphere and was later to speak of "the white scars on my soul" left by this painful experience. Bruised but unbroken, Voltairine emerged an atheist and soon gravitated toward the flourishing freethinkers' movement. Influenced by Clarence Darrow, she flirted briefly with socialism but her deep-running anti-authoritarian spirit soon rejected it in favor of anarchism.

As with Emma Goldman, the hanging of the Haymarket martyrs made a profound impression on Voltairine and was the major impetus in her turn toward anarchism. In 1888, she threw herself into the anarchist movement, dedicating herself passionately and unceasingly to the cause of liberty for the rest of her life.

Though seldom in the public limelight—unlike Emma Goldman, she shrank from notoriety—Voltairine was a popular speaker and an untiring writer. In spite of financial circumstances which forced her to work long hours,and despite a profoundly unhappy life which included several near-suicides, an almost fatal assassin's bullet, and a number of ill-

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fated love affairs, she authored hundreds of poems, essays, stories and sketches in her all too brief life. Highly praised by her colleagues for the elegance and stylistic beauty of her writings, Voltairine possessed, in Avrich's opinion, "a greater literary talent than any other American anarchist," surpassing even Berkman, Goldman and Benjamin R. Tucker. Goldman herself believed Voltairine's prose to be distinguished by an "extreme clarity of thought and originality of expression." Unfortunately, only one collection of her writings—*The Selected Works of Voltairine de Cleyre,* edited by Berkman and published by *Mother Earth* in 1914—was ever put together, leaving much fine material buried in obscure journals.

Both Voltairine 's life and her writings reflect, in Avrich's words, "an extremely complicated individual." Though an atheist, Voltairine had, according to Goldman, a "religious zeal which stamped everything she did . . . Her whole nature was that of an ascetic." "By living a life of religious-like austerity," says Avrich, "she became a secular nun in the Order of Anarchy." In describing that persistence of will which inspired her, the anarchist poet Sadikichi Hartmann declared, ". . . her whole life seemed to center upon the exaltation over, what she so aptly called, the Dominant Idea. Like an anchorite, she flayed her body to utter more and more lucid and convincing arguments in favor of direct action."

"The Dominant Idea," wrote Emma Goldman in her commemorative essay *Voltairine de Cleyre,* "was the Leitmotif through Voltairine de Cleyre's remarkable life. Though she was constantly harassed by ill-health, which held her body captive and killed her at the end, the Dominant Idea energized Voltairine to ever greater intellectual efforts, raised her to the supreme heights of an exalted ideal, and steeled her Will to conquer every handicap in her tortured life."

Yet the ascetic also had the soul of a poet. In her poetry and even in her prose, Voltairine eloquently expressed a passionate love of music, of nature and of Beauty. "With all her devotion to her social ideals," says Emma, "she had another god—the god of Beauty. Her life was a ceaseless struggle between the two; the ascetic determinedly stifling her longing for beauty, but the poet in her determinedly yearning for it, worshipping it in utter abandonment. . . ."

Another manifestation of Voltairine's complex nature was her ability to be both rational and compassionate, a combination that Benjamin Tucker, like some modern day individualist anarchists, thought led to inconsistency and ambivalence. Voltairine didn't see it that way. "I think it has been the great mistake of our people, especially our American Anarchists represented by Benjamin R. Tucker, to disclaim sentiment," she declared. In her essay, "Why I am an Anarchist," she wrote, "It is to men and women of feeling that I speak . . . Not to the shallow egotist who holds himself apart and with the phariseeism of intellectuality, exclaims, 'I am more just than thou'; but to those whose every fiber of being is vibrating with emotion as aspen leaves quiver in the breath of Storm! To those whose hearts swell with a great pity at the pitiful toil of women, the weariness of young children, the handcuffed helplessness of strong men!"

But Voltairine was no emotional sentimentalist, wanting in serious arguments. Though Tucker became increasingly skeptical of her talents, most of her associates considered her a brilliant thinker. Marcus Graham, editor of *Man!,* called her "the most thoughtful woman anarchist of this century" while George Brown, the anarchist orator, declared her "the most intellectual woman I ever met." Joseph Kucera, her last lover, praised her logical, analytic mind. Avrich himself, a careful historian not given to undue praise, concludes that she was a "first-rate intellect."

Voltairine's political stance in the anarchist spectrum was no less complicated than her other views and even less well-understood. Avrich dispels the myth created by the erroneous claims of Rudolph Rocker and Emma Goldman that Voltairine became a communist anarchist. In 1907, points out Avrich, Voltairine replied to Emma's claim, saying, "I am not now and never have been at any time a Communist." Beginning as a Tuckerite individualist, Voltairine turned in the 1890s to the mutualism of Dyer Lum. But she eventually grew to the conclusion that neither individualism nor collectivism nor even mutualism was entirely satisfactory. "I am an Anarchist, simply, without economic labels attached," she was finally to declare.

Unhyphenated anarchism or "anarchism without adjectives" had other adherents as well—Errico Malatesta, Max Nettlau and Lum among them. These advocates of non-sectarian anarchism tried to promote tolerance for different economic views within the movement, believing that economic preferences would vary according to individual tastes and that no one person or group had the only correct solution. "There is nothing un-Anarchistic about any of [these systems]," declared Voltairine, "until the element of compulsion enters and obliges unwilling persons to remain in a community whose economic arrangements they do not agree to."

Voltairine's plea for tolerance and cooperation among the anarchist schools strikes a modern note, making us realize how little things have changed. Factionalism rages yet, with fervent apostles still all too eager to read the other side (whether "anarcho-capitalist" or 'anarcho-communist") out of the anarchist fold. The notion that the pluralistic anarchist societies envisioned by people like Voltairine de Cleyre might in fact be the most realistic expectation about human nature seems even more lost on anarchists today than in her time.

Another of Voltairine's special concerns was the issue of sexual equality. In a time when the law treated

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Milton Mueller, Justin Raimondo and Roy A. Childs, Jr. on the Resurrection of the Draft

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women like chattel, "Voltairine de Cleyre's whole life," says Avrich, "was a revolt against this system of male domination which, like every other form of tyranny and exploitation, ran contrary to her anarchistic spirit." That such a brilliant, unusual woman would be a feminist is no surprise. "Let every woman ask herself," cried Voltairine, "Why am I the slave of Man? Why is my brain said not to be the equal of his brain? Why is my work not paid equally with his?" These themes of sexual equality and feminism provided the subjects of frequent lectures and speeches in Voltairine's years of activity, including topics like "Sex Slavery," "Love in Freedom," "The Case of Woman vs. Orthodoxy," and "Those Who Marry Do Ill."

The subject of marriage was one of Voltairine's favorite topics. Though she valued love, she totally rejected formal marriage, considering it "the sanction for all manner of bestialities" and the married woman "a bonded slave." Her own unfortunate experiences with most of her lovers, who, even without the ties of formal marriage, treated her as sex object and servant, convinced Voltairine that even living with a man was to be avoided. When she learned that William Godwin and Mary Wollstonecroft (her heroine) had lived in separate apartments even though they were lovers, she was delighted. "Every individual should have a room or rooms for *himself exclusively,*" she wrote to her mother, "never subject to the intrusive familiarities of our present 'family life' . . . To me, any dependence, any thing which destroys the complete selfhood of the individual, is in the line of slavery and destroys the pure spontaneity of love."

Not surprisingly for that day, Voltairine's bad experiences with the traditionalism of her lovers was a misfortune she shared with Emma Goldman. Though totally different in personality—"Voltairine differed from Emma as poetry differed from prose," says Avrich—the lives of the two women had curious parallels. Most of their lovers turned out to be disappointingly conventional in matters of sexual roles but there was in each woman's life at least one lover who was not of this traditionalist stripe. Each loved a man who was her intellectual equal and who treated *her* as an equal—for Voltairine, it was Dyer Lum, for Emma, Alexander Berkman. But, sadly, both women lost these men as lovers. Lum committed suicide in 1893 and Berkman's 14 years in prison left psychological scars that changed the nature of his physical relationship with Emma, if not their emotional one.

"Voltairine De Cleyre believed there was nothing unlibertarian about any economic system, until the element of compulsion entered the picture."

But in other matters, Voltairine and Emma had little in common. In fact, they quickly took a personal dislike to each other. Voltairine thought Emma flamboyant, self-indulgent, unattractive and dumpy; Emma considered Voltairine ascetic and lacking in personal charm. Emma claimed that "physical beauty and feminine attraction were withheld from her," another myth that Avrich shows to be false. In truth, most of Voltairine's comrades, both men and women, found her beautiful, elegant and charming. The photos of Voltairine included in the biography testify to the truth of these views—pictured is a delicate woman with a soft, mysterious beauty that was in sharp contrast to Emma's earthy robustness. Emma, a friend once pointed out, was not above jealousy.

Yet, in spite of their personal differences, Emma and Voltairine respected each other intellectually. For her part, Voltairine publicly defended Emma on several occasions, including the passionate plea, "In Defense of Emma Goldman and Free Speech," which Emma notes in her commemoration of Voltairine. In that essay, *Voltairine de Cleyre* (Oriole Press, 1932), Emma pays eloquent tribute to Voltairine. She was, writes Emma, "a wonderful spirit . . . born in some obscure town in the state of Michigan, and who lived in poverty all her life, but who by sheer force of will pulled herself out of a living grave, cleared her mind from the darkness of superstition—turned her face to the sun, perceived a great ideal and determinedly carried it to every corner of her native land . . . The American soil sometimes does bring forth exquisite plants."

We are indebted to Paul Avrich for bringing this remarkable woman out of her obscurity and displaying the blossoms of that "exquisite plant" in all their inspiring beauty. ❑

Sharon Presley is National Coordinator of the Association of Libertarian Feminists. This essay is the first in her projected series on libertarian and anarchist feminists.

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THE MOVEMENT

MILTON MUELLER

THE FIRST BIG showdown in the LP presidential race has taken place. Ed Clark formally announced his intention to run for the LP Presidential nomination February 15, a few days before the California LP's State Convention in San Jose. Though the announcement had been expected, the presence at the convention of both Clark and Bill Hunscher, the other declared candidate, brought even more intensity to the already vigorous convention activity.

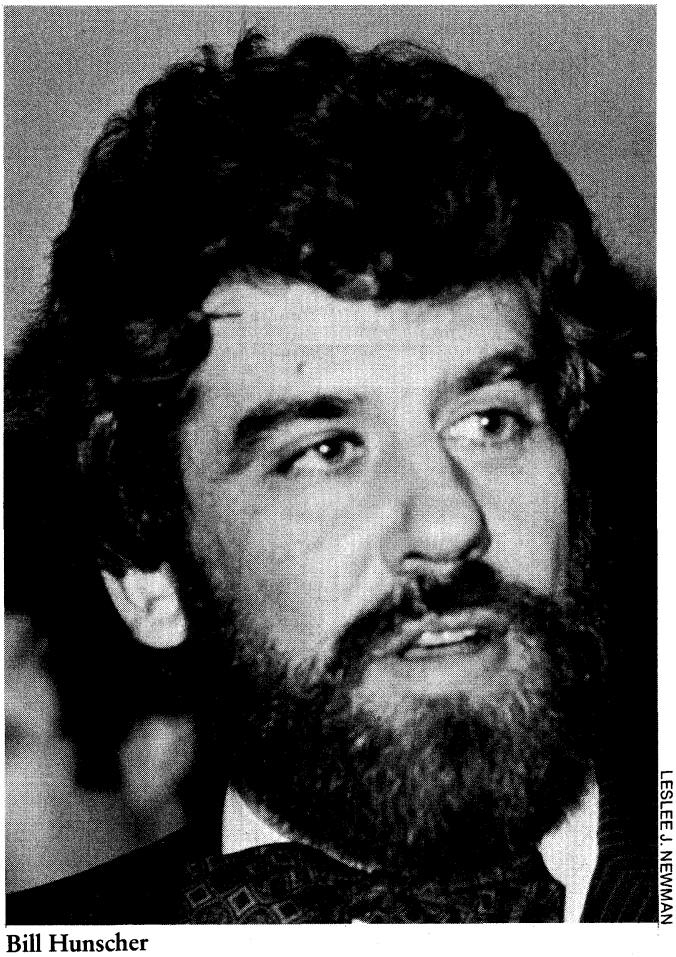
It is a measure of the distance we have come that a race for the LP *nomination* has brought as much media coverage in California as Roger MacBride's actual candidacy in the final months of 1976. Hunscher's swing through Los Angeles earned a fair-sized article in the widely respected *Los Angeles Times,* and a joint news conference with Clark, Hunscher and other representatives of the California LP was discussed in the San Francisco papers, the San Jose paper, the *Stanford Daily* and several radio stations. The *San Jose Mercury-News* went so far as to report in detail on the parliamentary maneuvering of the pro-Clark and pro-Hunscher groups on the convention floor.

Clark supporters, clearly an overwhelming majority, seized opportunities to turn any mention or appearance of Clark into a loud "Clark for President" demonstration. The Clark hospitality suite was jam-packed; Clark fielded questions as he stood on a luggage shelf over a sea of rapt, upturned faces. The Hunscher forces attempted to duplicate this performance, but the crowds were thinner and the answers not as lucid.

A sort of proxy debate between Clark and Hunscher raged in the convention's cloakrooms and cocktail parties. Supporters of Clark cited his ability to articulate the sweeping ideological vision of libertarianism, his detailed grasp of the issues, and his fluent responses to tough questions—an ability honed during the 1978 California gubernatorial campaign.

Detractors of Clark were turned off by his low-key delivery and rather monotonous voice. And the Hunscher camp tried to undermine the Clark effort by spreading the suggestion that Clark should really run for the *Senate* in 1980, not the presidential nomination. This didn't go over very well, and in the end, the Hunscher forces pounded away at one major issue: the "full time campaign." Clark, it was argued, still works as a lawyer in Los Angeles, and the party needs someone to hit the road full time between now and November of 1980. Hunscher, who is independently wealthy, can do it—Clark cannot. Hunscher has also boasted of his ability to raise several hundred thousand dollars from private contacts of his, and says he wants to raise "a lot of money from non-libertarians." Clark disputes the need for a full-time campaign when the election is still a year and a half away. He believes he should concentrate his campaign efforts into the last six months before the election so that support will peak on election day. "Roger MacBride tried campaigning early at full steam during his 1976 campaign," Clark said, "but the media couldn't have cared less about his candidacy until the Republicans and Democrats chose their nominees. In the meantime, Roger wore himself out and diluted his financial resources." Clark believes that he successfully maximized his effect in the California governor's race by concentrating his time and money on the last months of the campaign.

The election of delegates to the National Convention



LESLEE J. NEWMAN

Bill Hunscher

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reflected a nearly 95% Clark sweep—not very surprising in Clark's home state, after all. The Clark forces won a key floor vote mandating at-large, direct selection of delegates at the convention. The Hunscher supporters had wanted *regional* selection of delegates, which would have given them more time to travel around and build up support. However, the effect of this "victory" was diluted when the Clark supporters failed to offer a slate of delegates committed to Clark. This option was actually avoided at Clark's own request, as he feared it would be divisive.

To many Clark supporters, Clark symbolized the infusion of political reality into the party, making the Clark for President campaign into a war on the older and stagnant sections of the party bureaucracy, which they saw as standing in the way of progress. This conflict between the old and the new was starkly demonstrated in the selection of the new California state chair. June Genis, the hard-working LPC Secretary, lost what everyone had assumed would be a routine ratification as party chair. She was upset by a relative newcomer to the LP, James Reichle, a Nevada County activist. While June Genis was universally respected in California for her dedicated work, she was perceived as part of a core of entrenched party stalwarts who tend to think small and resist new programs. She was also hurt by her ties to the Hunscher campaign. At any rate, the dramatic first ballot saw Genis and Reichle tied exactly, making a second ballot necessary. Genis's support then slipped and Reichle was elected. Party stalwarts were stunned. Nevertheless, we can expect to see more of this wherever success engulfs the Libertarian Party.

LESLEE J. NEWMAN

Ed Clark

The fight for the tuition tax credit

The deterioration of the compulsory public schools has created a major political opportunity for libertarians. Property tax savings voted for by angry taxpayers have generally taken their biggest bites out of school budgets, undermining a corrupt and wasteful system even further. Busing has alienated white and black parents alike; state equalization has "leveled down" whatever good schools are left. And the percentage of families sending their children to private schools keeps rising. Given this political context, the tax credit for private school tuition is a powerful and timely program.

In Alaska, Libertarian Party representative Dick Randolph has submitted a tax credit bill to the Alaska State Legislature. House Joint Resolution #19, submitted by Randolph on February 15, provides for a $1,500 tuition tax credit. Corporations are also allowed to donate up to 25% of their corporate tax liability for the education of children. Because of the infuriating insistence of the Supreme Court that tax credits—allowing people to keep their own money, in other words—constitutes a "state action or subsidy," Randolph has excluded parochial schools from qualifying for the tax credit. People interested in obtaining copies of House Joint Resolution #19 should write to Randolph's office at 1105 Cushman Street, Fairbanks, Alaska 99701.

A group of libertarians in California is also working on a tax credit program, which would be put before the voters as an initiative. John Lindl, the proprietor of a Montessori school, Bill Burt, the director of the West Coast office of the National Taxpayer's Union, and Ed Clark are attempting to make Clark's 1978 campaign proposal of an $800 tuition tax credit a reality. This proposal, like the Alaska bill, would allow corporations to donate up to 25% of their tax liability for scholarships. But the California group wants the proposal to *include* parochial and other religious schools, even though such a move risks being ruled unconstitutional. Since religious schools are one of the most prominent alternatives to government schools, the group feels any electorally viable tax credit bill must include them. To contribute to the California effort, write to Bob Costello at 1620 Montgomery Street, San Francisco, California, 94111.

The Kansas Libertarian Party, which until recently was all but dormant, has also found the tax credit issue a viable one. Their proposal is being introduced to the voters in the form of a campaign for the Wichita, Kansas School Board in which Sue Rolfson and Karl Peterjohn are running as Libertarians. They have proposed a $500 property tax credit for any child between the ages of 5 and 18, a property tax credit of up to 50% for scholarships donated to educate poor children, and a state income tax credit to supplement the property tax credit. To contribute to the Wichita School Board campaign, write to the Libertarian Committee for Education, Box 18241, Wichita, Kansas 67218.

Businessmen against favors for businessmen

The free market has always needed defenders in the business world who are untainted by the hypocrisy of political favors and subsidization. If capitalists are ever

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THE PLUMB LINE

The meaning of San Jose

MURRAY N. ROTHBARD

IN MY LAST Plumb Line (February 1979), I wrote of the problem that the space cadet wing of the Libertarian Party poses to the party's continued growth and development. Looking at the problem more analytically, we find that this syndrome is part of a broader phenomenon.

All ideological movements begin as localized discussion groups, arguing over problems of high, abstract theory, theory seemingly remote from the practical political concerns of the day. This is a very important and necessary phase, but if any movement is to grow, it must eventually transcend that stage of development. In the case of the libertarian movement and the Libertarian Party, many years were spent in refining theory, in elaborating the ultimate goal toward which we are working. Before we could progress to the next stage of growth, we had to resolve our theoretical disputes, either by convincing each other or by agreeing to disagree and going on to something else.

In the Libertarian Party we have happily resolved the various ideological issues and begun to transcend them. Most specifically, there were two major theoretical issues that needed to be settled. One was anarcho-capitalism vs. limited government, a dispute that was solved in a detente hammered out in the 1974 national convention at Dallas. The two factions decided to bury their differences for purposes of political action, purging the party platform of all explicitly pro-government planks, and attacking government for its numerous illegitimate interventions. Our ultimate goals, apart from basic principles about natural rights and individual rights, were simply not spelled out. This was an excellent resolution of the political problem, since, important as the conflict may be in the theoretical sphere, the likelihood that we will achieve even *laissez-faire* government in the near future is fairly remote. This settlement of the conflict has enabled anarchists and limited government people to coexist peacefully and harmoniously within the Libertarian Party ever since.

The next great step forward in the L.P. occurred at the New York national convention of 1975, when the second ideological conflict within the party was resolved. Specifically, the platform was stripped of its militarist and pro-interventionist elements, and the party was firmly committed to a noninterventionist foreign policy as the logical implication of libertarian principle. In the 1977 national convention at San Francisco, this victory for a noninterventionist foreign policy was cemented and expanded, and retrogressive attempts by a handful of pro-war interventionists were defeated with ease by the overwhelming majority of convention delegates.

With the major ideological issues thereby resolved, the Libertarian Party has been able to leap ahead and to confine its quarrels to strategic and organizational questions. These are healthy growing pains, for no ideological movement can make its mark on national politics until its ideological problems are settled and the major questions become tactical and organizational ones.

The major organizational conflict now within the Libertarian Party is simply this: shall the LP, without compromising one whit on its principles, grow and develop into a professional real-world party, influencing and eventually dominating the mainstream of American political life? Or shall it remain not merely a set of discussion clubs, but a congeries of local, social affinity groups, bound together by ties that are more personal than ideological or strategic?

The space-cadet aberration is simply one aspect of the discussion-club, affinity group, "circle" stage of the libertarian movement. We have now shown, in countless ways, that we are strong and popular enough to transcend that stage, to move rapidly toward professionalism and real-world politics. For we must never forget the *purpose* of working in the Libertarian Party. The purpose is not to socialize, discuss science-fiction, contemplate our dreams, or perform busywork. The purpose is to *win*, to transform America and eventually the entire world from a regime of statism to a world of liberty.

The California L.P. convention held in San Jose on February 16-19 was a fascinating example of the tension between these two broad tendencies within the party. In the opening debate on foreign policy between Tibor Machan and Roy Childs, Machan tried desperately to throw sand in the machinery by attempting to revive the old anarchist and interventionist debates. But since he characteristically tried to do so by repeatedly proclaiming his total ignorance of foreign affairs, the effect was almost ludicrous.

The convention ultimately centered around the competing candidacies for the L.P. Presidential nomination of Edward Clark and Wiliam Hunscher. Clark, whose phenomenal 377,960 votes for Governor of California last November comprised 5.5% of that state's voters, is manifestly the best candidate the L.P. could possibly field. The nearly 400,000 votes—translating into *millions* of votes across the country—which Clark achieved without any compromise of principle make him the best possible candidate from any objective viewpoint. if libertarians want success, they must choose Clark.

There is a key difference in the two races. Clark's

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LESLEE J. NEWMAN

Roy A. Childs, Jr., Williamson Evers, and Tibor R. Machan

candidacy, in addition to being professional, is strongly issue-oriented. Clark's procedure is to uphold the pure libertarian goal of individual liberty while setting forth cogent and persuasive transition steps to advance toward that goal. Bill Hunscher, while undoubtedly a consistent libertarian, is apparently only minimally concerned with the issues of the day; his concern is to run as an entrepreneur who was successful in business competition and who therefore can lick the Democrats and Republicans. This is not the sort of campaign that Libertarians need or require. Of course, we want a lot of votes; but we want them not for personalities *per se*, but for persons who propound and convince the public of the libertarian approach toward the important issues of our time. On *both* counts: votes and public policies, Clark has shown himself to be the supreme vote-getter and the master of complex issues. Clark is clearly the right candidate for the Presidency in 1980. And that is why those forces in the party who are for growth, for real-world success, *and* for holding high the banner of our glorious principles, will go all-out for Ed Clark for the Presidential nomination this September. ❑

The Movement

(continued from page 19)

to be taken seriously on a moral plane, then they must quit being *defensive* about a "free enterprise" system that scarcely exists, and go on the *offensive*, both morally and politically, by attacking all forms of governmental regulation and subsidization, whether such regulation is in their short-term self interest or not.

Such an organization now exists. The Council for a Competitive Economy styles itself as a "businessmen's and women's liberation movement."

CCE will be an aggressive and principled advocate of the free market in the halls of Congress, in the news media, and before the public. CCE will demand an end to the strangling regulations and crippling taxes that stifle enterprise in the United States. And, unlike other business groups, it will speak out against the tariffs, subsidies, entry restrictions, regulatory cartels, and other forms of intervention designed to help some businesses at the expense of other.

CCE goes to great lengths to make the crucial distinction between *political* capitalists and the free market variety, a distinction that is strategically powerful in that it imparts a new respectability to free market ideas. As the CCE brochure states, "This willingness to oppose business subsidies . . . will make CCE much more effective in its defense of American business against the assaults of anti-business politicians and special interests."

David Boaz, the Executive Director of CCE, believes that this radical new "business strategy" can be sold to business people and the public. William Simon's bestselling *Time for Truth*, which sternly attacks favor-seeking businessmen, reflects a growing realization among businessmen that if they want freedom from government control they will have to become *consistent* advocates of freedom. The CCE advisory board includes free-market economists like Simon and Milton Friedman, both ardent and mostly consistent opponents of governmental economic power. CCE publishes a brochure outlining its strategy and goals and including membership information. Write the Council for a Competitive Economy, 2662 Glengyle Drive, Vienna, VA 22180. Or call (703) 938-0375. ❑

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UNTANGLING THE WEB OF INFLATION

CHRISTOPHER WEBER

A rather extraordinary event happened on February 9. Announced on that day was the fact that the Wholesale Price Index (WPI), the wholesale measure of goods ready to be sold to retailers, had surged 1.3 percent during the first month of this year. This implies an annual climb of 17.2 percent, a rate conceivable, until recently, only in Britain, Italy, and certain republics of South America.

Needless to say, this bulge—the largest in four years—will soon make itself felt in the Consumer Price Index, which is already rising at a double-digit rate. Disturbingly, this WPI jump was widespread, encompassing almost every one of the myriad finished goods on the index—not just the traditionally volatile food and livestock prices, which frequently jump or dive due to such non-economic factors as weather. But even for these wide-swinging sectors, January's rise was stupendous. Wholesale beef and veal prices broke out of their "normal" recent monthly price rises of from 3 to 4 percent (36 to 48 percent annually) and soared a whopping 13 percent in January alone! This translates into a 156 percent annual beef price rise.

The Consumer Price Index, having more than doubled since 1967, has jumped 14 percent in the past year alone. But even this figure does not do full justice to the price increases of certain foods. The price of lettuce has risen 170 percent in one year, bacon is up 45 percent, and oranges are up 40%. And those are items which are produced in this country. We all know that the cost of anything imported has skyrocketed, as the declining value of the dollar means that it will take more of them to buy the same products. With the currencies of many of America's trading partners registering increases of from 20 to 40 percent during the past year, and adding on to that their own domestic inflations, the wonder is that import prices in this country have not risen even faster. Undoubtedly, this will happen in the months to come, as older inventory is cleared out by customers and new, more expensive products come onto the shelves in its place.

Alfred Kahn, the President's inflation advisor, recognizes that the January figures give yet another kick in the gut to Carter's program of "voluntary" price controls. Paid to defend the program, Kahn is clearly in an unhappy situation. He knows that outright price controls would be disastrous, but instead of attacking government actions as inflation's cause, he has decried the actual price raises by the industries themselves. Hence, a day before the January figures—with their huge beef increase news—were released, Natonal Cattlemen's Association leaders held an announced meeting with Kahn. The ranchers and feedlot operators were justifiably concerned that Kahn or the White House would encourage a consumer boycott of beef. The President's advisor has in fact already singled out certain industries and encouraged citizens to "buy prudently" in them.

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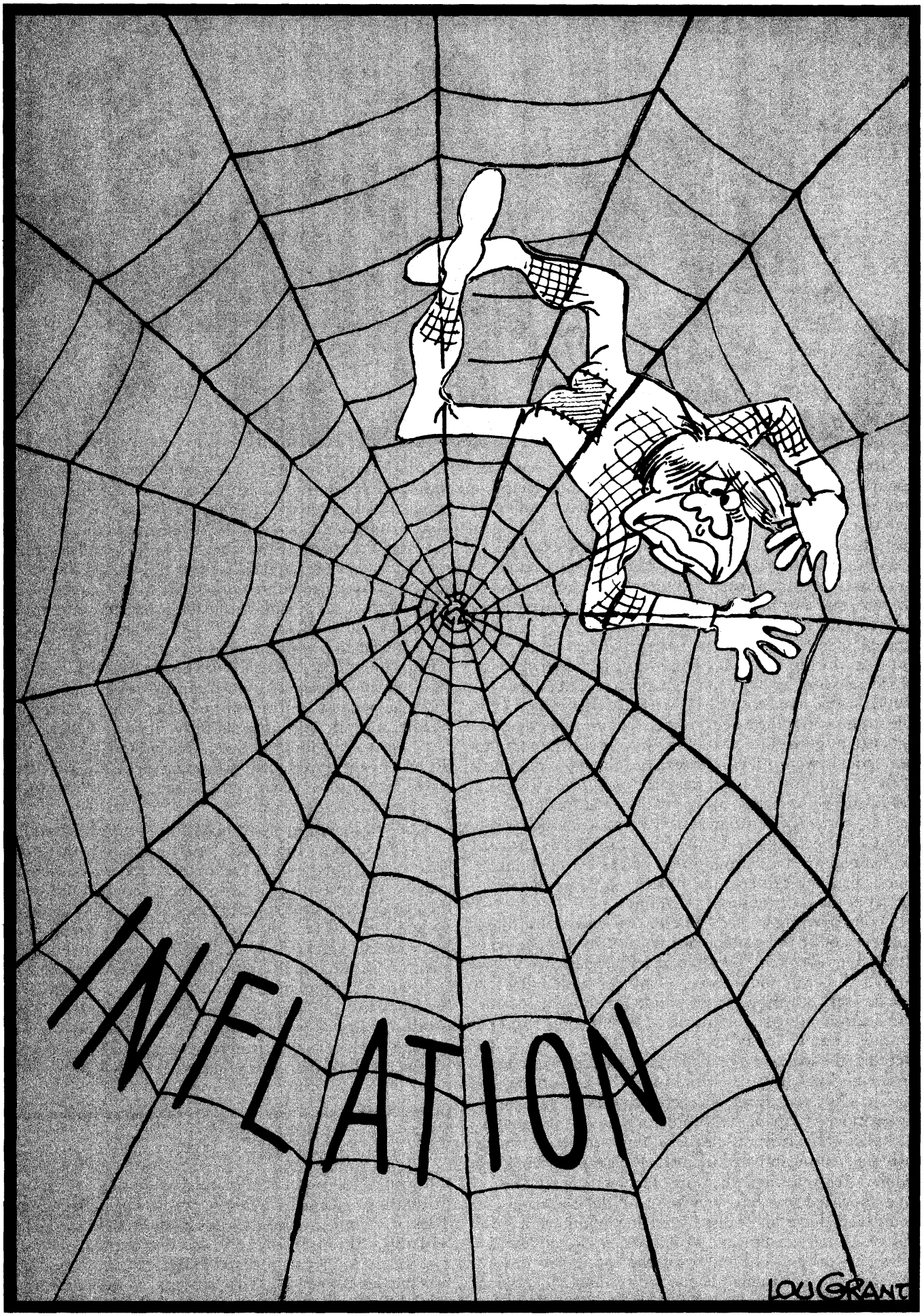

OAKLAND TRIBUNE

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UPI

Carter's inflation program was a two-pronged one. The first attack, announced on October 24, was an attempt to show the American people that he was doing something to stem domestic price rises. The second, coming only one week later, was designed to shore up the value of the dollar overseas. The essential message of the first was a "suggestion" that wages increase by no more than 7 percent a year, for everyone earning over $4.00 per hour. Carter proclaimed that businesses should limit their prices to an average of one-half percent *below* their average price increases during 1976-77. This would ideally translate into increases of no more than 5¾ percent, but businesses would be able to pass on their own price rises if they were able to show that their before-tax profit margins were no higher than in the best two of the past three years. In no case, though, were price increases to go above 9.5 percent.

The President's program has been a failure, stridently and justifiably attacked by both labor and business—at least as stridently as business ever attacks anything. The leftist intellectual press has even joined the chorus, condemning Carter's program for what it is: a fleecing of American wage-earners, and furthermore one that does not get at the root causes of inflation.

It is heartening to see the concern voiced by these quarters about the danger of inflation itself. The lead editorial in *The New Republic* of January 20, 1979 was entitled "Liberals and Inflation," and demanded that the first get serious about the second. Brushing aside the conventional leftist unconcern for inflation [on the grounds that it "only" affects capitalists and helps "debtors (the workers) win and creditors (capitalists) lose, those who live off wages win, those who live off capital lose"], *The New Republic* reports that "the largest aggregations of capital in the modern economy are not the stockpiles of the rich; they are trust funds representing the vested pension and life insurance rights of working people." Ten years ago, this sort of language would never have appeared in a left-wing journal. Such journals, it would seem, have finally discovered that inflation hurts the bulk of Americans. Further, says *The New Republic,* "by failing to protect the value of the monetary unit it sponsors, the government is unconstitutionally depriving many people of property without due process of law."

Considering the source, these arguments are astonishing. They begin, in fact, to get at the real cause of the problem. For, even though the socialist tabloid *In These Times* charges the problem to "deep-seated dilemmas of the capitalist order" (November 8-14, 1978) and describes it as an instance of capital "screwing" labor, it should be clear that most American workers are in fact capitalists as well, putting money into trusts, life insurance, or pension funds. (About all the socialist weekly can suggest by way of cure is to clamp rigid mandatory price controls on the "major inflationary sectors," the necessities such as food, clothing, and housing. Yet such controls would only cause shortages in these vital areas which affect people the most.) Further, for all the prattle about the merits of socialism, nothing is said about the massive price rises recently decreed by the government in Hungary, Poland, and other East-bloc nations. Clearly, instituting a socialist system would not halt price rises.

More reasoned leftist journals, like *The New Republic,* are hinting that the main cause of inflation is the government, but they don't yet have the courage to identify exactly how and why the government inflates, and what the prospects are for stopping it. That this courage—or insight—is still lacking is evident from the unanimous leftist chorus that to reduce inflation will mean to bring on a recession, and that this must be avoided at all costs. The sad truth is that inflation itself makes recession *inevitable* by artificially shifting wealth from productive to non-productive areas of the economy, by distorting market information, leading to malinvestment, and by encouraging people to spend more than they actually have.

The causes of inflation

Inflation is not caused by businessmen raising prices. And neither is it caused by workers asking for higher wages. These are both scapegoats, chosen alternately by the left and the right. In each case these groups are simply responding to the fact that the things *they* must buy have become more expensive. They must pay more for the same things. Unless the supply of goods and services has for

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some strange reason decreased overall—something which almost never has happened in recent years—the cause must lie with the decrease in value of money itself. So if consumers must pay more for the same things, it must be because the money they use is not as valuable, because they must always use more of it to buy the same quart of milk.

So the spotlight must be focused upon money, or more accurately, its supply. The more money that enters the economy, the less each unit of it will buy. The more money there is, the less valuable will be its individual units.

Now, who controls our money supply? Pull out any denomination dollar bill and look at it. At the top and in the center appear the words "Federal Reserve Note." Each of our dollars first saw the light of day as they rolled off the printing presses of the Federal Reserve. It is only by understanding the Federal Reserve System that we can understand inflation.

There are still people who believe that the Federal Reserve is a private organization. Nothing could be further from the truth. All seven members of the Board of Governors are appointed by the President of the United States and subject to confirmation by the Senate. What private organization has its board chosen in this way? Confusion enters the picture, however, when it's discovered that the Fed, like private organizations, issues shares to its 6,000 member banks. (There are about 14,000 commercial banks in the U.S., but the 6,000 Fed member banks account for 75 percent of all domestic bank deposits.) Each of these "shareholders" receives a statutory 6 percent annual return on this investment. In other words, they get 6 percent of their original share investment, which was 6 percent of their capital.

Most Federal Reserve System earnings, fully 82 percent, are paid not to its "shareholders," but to the U.S. Treasury. Since its inception in 1913, only 2 percent of Federal Reserve earnings have been paid out as dividends to member banks, the remainder going for operating expenses. The amount annually paid into the Treasury is not a *profit* from legitimate business activity. It is, rather, the lion's share of two *yields,* interest received on loans to member banks—loans often created out of thin air because of legal privileges—and the yields on securities purchased through the inflationary "open market operations" explained below.

Finally, should a Federal Reserve member bank be liquidated, its assets (after obligations had been met) would become the property of the United States government. What sort of private agency is this?

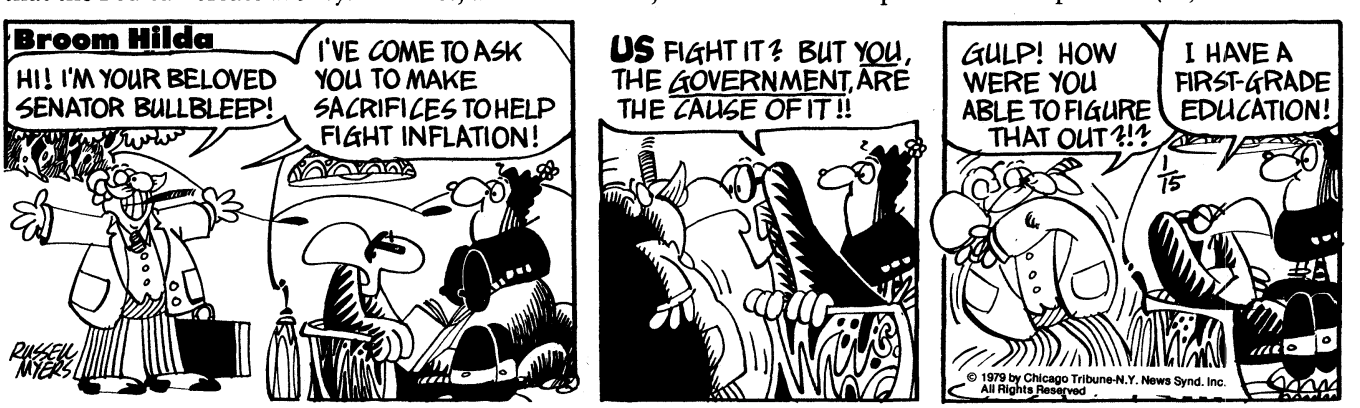
The Federal Reserve is wholly a creature of the Federal government: It is the government's central bank and hence the government's engine of inflation. There are two ways that the Fed can create money. The first, and most direct, method is by simply printing it ouright—those Federal Reserve Notes in your pocket—which are then supplied to individual member banks. These notes meet the banks' and the public's need for cash.

A far more complex and important method is the Fed's creation—out of thin air—of "checkbook money" or demand deposits redeemable in cash at any time. These credits are used by the Fed to buy U.S. Treasury debt instruments such as Treasury bills or U.S. government bonds from the public, and sometimes directly from the Treasury. This outright creation of demand deposits is direct inflation, but not nearly so much inflation as what is produced by pyramiding new creations of money upon these demand deposits. This indirect and most dangerous process is known as "fractional-reserve banking." There are quite a few people, even many concerned with understanding inflation, who don't understand this process by which $200-million can be turned into $1.3 *billion* very quickly, without even using printing presses.

Dishonest banking comes to America

The first step in comprehending the fractional-reserve system lies in examining the reserves themselves. Banking began, in the sixteenth century, as simply a warehouse for gold. Originally, paper receipts were issued on a one-to-one basis by the private merchants who operated the warehouses. This could be called a 100 percent reserve system with paper receipts kept constant to the gold they represented. But banks need to make a profit too, and they do this by lending money. Under this 100 percent gold system, however, money lent out was money deposited expressly for a long fixed term. In other words, everyone either had in his possession direct claims for gold redeemable at any time, or he realized his gold was being lent out for, say, a two-year period, and that he was being paid interest for it during that time. Under this system, no one's money was being used twice by the bankers. But some bankers eventually discovered a way to defraud their depositors.

As they saw that only a small percentage of gold depositors would ever present their receipts at once, these bankers *loaned out* that gold which depositors had been assured was earmarked for them. Thus the same money was being used twice. This sleight-of-hand had its limits: When a bank went too far in loaning other people's gold to the public, and greed often made them push the system to its limits, depositors became suspicious and presented their claims *en masse* to the bank. By these "bank runs" dishonest bankers either went bankrupt or were forced back into a 100 percent reserve position (or, as more often


Broom Hilda
HI! I'M YOUR BELOVED SENATOR BULLBLEEP!
I'VE COME TO ASK YOU TO MAKE SACRIFICES TO HELP FIGHT INFLATION!
RUSSELL MYERS
US FIGHT IT? BUT YOU, THE GOVERNMENT, ARE THE CAUSE OF IT!!
GULP! HOW WERE YOU ABLE TO FIGURE THAT OUT?!?
I HAVE A FIRST-GRADE EDUCATION!
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happened, to at least a more conservative and prudent one).

In our century, dishonest banking in America was institutionalized and centralized with the creation of the Federal Reserve System in 1913. The dishonest individual bankers, as bad as they were, at least didn't have endless resources: they went bust if they continued to cheat. No one bailed them out. But a government central bank tied all the hitherto disparate individual inflations together into one huge one. Under the new Fed System large commercial banks were, and are, required to keep a fraction (a reserve) of their checking account deposits on deposit at the nearest Federal Reserve Bank (there are twelve). Why and how this fraction changes, and the effect that those changes have, is essential to understanding inflation.

There are three ways the fraction can change, but in practice only one is important. First, the Federal Reserve Board can directly change the reserve requirement—the percent of deposits which must be kept on hand. Current requirements range from seven percent of net checking deposits at very small banks to sixteen and a half percent on amounts over $400-million. When the reserve requirement is lowered, more money is available for lending by allowing commercial banks to pyramid a larger amount of money upon a smaller base. But this direct method is used relatively rarely: the changes are just too abrupt to be convenient.

More frequently, the Fed manipulates the money supply by means of its "discount rate." This is the interest rate charged to banks borrowing from the Fed to build up their reserves to required levels. A decrease in this rate makes it cheaper for banks to borrow reserves to make such "investments" as buying U.S. Treasury debt issues flotations, or enables their clients to do so. As a consequence, the general interest rate tends to fall, making money easier to borrow and the Treasury's interest costs less.

However, the principal way that the Federal Reserve has carried out the greatest inflation in history is through its "open-market operations." About once a month, the Federal Open-Market Committee, consisting of the seven members of the Board of Governors and representatives of five Federal Reserve banks, meets in Washington to decide whether a more or less inflationary policy will be pursued during the day-to-day operations of that month. If the decision is "more," as it has most often been these past decades, the following operation ensues:

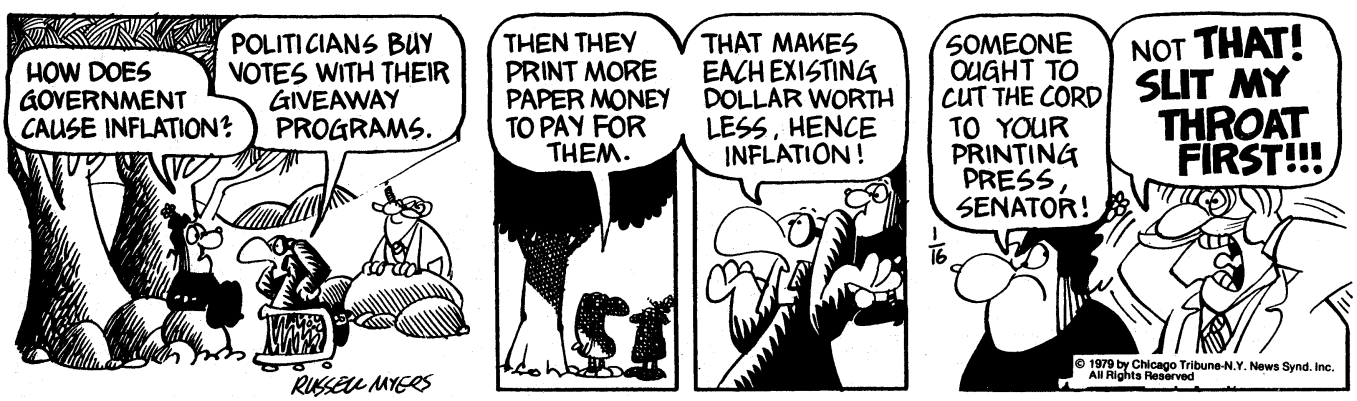
Every day, a telephone conference is held between the Fed's Washington headquarters and the open-market desk at the New York Federal Reserve Bank. Following this call, a wire is sent to all Reserve Bank presidents informing them of the impending action. The Fed now begin the money-creating process, by buying assets on the "open market," i.e. by buying paper assets from banks or from some members of the public. In practice, these assets are nearly always U.S. government securities—Treasury bills, notes, and bonds—and certain debt obligations of other Federal agencies. They don't *have* to be government paper, but buying them is simply a greater convenience for the Fed and the government in general.

To see how this process works, let's first take a small example. Assume that the Fed buys a U.S. government bond held by an average citizen, and pays $1,000. The Fed gets the bond and adds it to its asset column on its books. The Fed "gets" the $1,000 to pay the citizen by *creating it* in the form of a check on itself. The citizen can only use this check by depositing it in a commercial bank or cashing it. This, of course, adds $1,000 to *his* money supply. But more important is what his bank does with it when it is deposited.

The bank is required to keep sixteen and a half percent, or one-sixth of its checking deposits, on reserve at the nearest Fed. But, instead of sending one-sixth,or $165, on to the Fed and loaning out the rest, it sends *the entire* $1,000 and then creates new checkbook money by opening new checking accounts for its borrowers. (In other words, the bank, which makes its money from borrowers, will accept new loan applications—and then grant the loans by issuing to borrowers deposit slips for money it doesn't actually have. Because of misplaced confidence in the banking system, *usually* not enough people will simultaneously ask for their currency to cause problems.) Using the entire $1,000 as the sixteen and a half percent reserve, it can and does pyramid its money stock at a multiple of 6 to 1. It creates 5,000 new dollars, so that $6,000 of new money is soon added to the economy.

Now let's carry this process further, to show what usually happens with larger sums. Obviously, the Fed doesn't rely on the cooperation of numerous individual citizens, each with relatively small sums, to direct monetary growth.

Assume that officials at the open-market desk of the New York Fed buy $200-million in Treasury bills. They would do this through a private securities dealer who specializes in just this sort of activity. The New York Fed pays, of course, with a check drawn on itself against a deposit entry created out of thin air. The securities dealer deposits the check in, say, a Denver bank, adding $200-million to its deposits (and to the nation's money supply). The Denver bank deposits as a reserve, fifteen percent—$30 million—to the nearest Reserve bank (which happens to be located in Denver). The bank lends out the remaining 85 percent—$170-million—to, say, a California company. This company, in turn, deposits the


HOW DOES GOVERNMENT CAUSE INFLATION?
POLITICIANS BUY VOTES WITH THEIR GIVEAWAY PROGRAMS.
RUSSELL MYERS
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money into its accounts, and adds an additional $170-million to the money supply. The company's bank sends fifteen percent ($25.5-million) to *its* Reserve bank in San Francisco, and lends out the remaining $144.5-million. The receipts of this will add $144.5-million to their money supplies (and the nation's) by depositing it into their banks. Fifteen percent of this ($21.7-million) is held as reserve; the rest ($122.8-million) is loaned out; the process is repeated until all of the original $200-million has been funneled into reserves. By that time, *over $1.3 billion* has been added to the money supply. And this, from an original $200-million that was *itself* created out of thin air! [For this example, fifteen percent is the typical requirement for all banks. The reason the Denver bank sends only fifteen percent of the original $200 million, is that the multiple, six times the $200 million figure ($1.33 *billion*) would be too big to loan out all in one shot.]

The entire process can also work in reverse. If the Fed decides to contract the money supply, then government securities are sold to a dealer. The dealer's payments to the Fed reduce his checking account deposit balance. His bank's deposit reserves are therefore also reduced by the same amount. His bank then must either attract another equal deposit or borrow equal reserves from the Fed, or, it must reduce its loans outstanding by six times that amount.

This causes a multiple contraction of overall bank lending ability and the money supply. But in recent years there has rarely been a concerted deflation of the money supply. The farthest the authorities have gone is to slow the rate of monetary expansion.

Fine-tuning: an unstable system

"To be honest, we just don't know that much," exclaimed Fed governor J. Charles Partee in *Newsweek* magazine of February 12, 1979. He was referring to his ignorance of how so little an expansion of the money supply during the last few months could have attended a period of robust economic growth. But he could easily have been referring to the intellectual and practical bankruptcy of the entire Keynesian "fine tuning" system. As recently as a decade ago, every Establishment economist firmly believed that government could govern and control both the price levels and unemployment as it wished, just by applying the correct fiscal or monetary stimulus or depressant. Briefly, they held that if economic growth was sluggish, all that was needed was to pump in new creations of money. To cool down the economy after the resultant inflation, they lowered the rate of monetary inflation. In no case did they actually deflate.

That body of thought now lies in shambles, having been beaten to death by the series of inflationary recessions that have plagued the world economy over the past decade. For the simple truth is that even a little inflation must invariably lead to recession. (Space does not permit a rendering of the entire Austrian theory of the business cycle, a theory which has correctly predicted the economic woes of the past decade. One can find it elucidated in Murray Rothbard's booklet *Economic Depression: Causes and Cure,* or in the first few chapters of his *America's Great Depression.*) Suffice it to say that the illusion called "fine-tuning" seemed to work when the inflation rate never exceeded three percent. But as inflation began to soar in the early '70s, monetary manipulators discovered that with their accelerator and brake tactics with the money supply, the car was careening out of control. For example, after an unprecedented 10.4 percent annual growth in the money supply from February 1970 through July 1973, the Fed then tightened credit to their usual extent—and were startled by the magnitude of the recession that followed. For, to continue the automobile simile, an economy running at a 10 percent inflation rate is like a car accelerating on a slippery road. When brakes are slammed on at that speed, the car will skid. Further, due to the large inflation during 1970-73 consumer prices began to rise. It takes time for new monetary expansions to work their way throughout the economy, bidding up the prices of all one buys. There is no way anyone can calculate exactly this "time-lag" between money creations and price rises—this is indeed one of the great failings of any government attempt to control the money supply. There are just too many factors which cannot be calculated. Prices continued to rise long after monetary expansion had stopped, and even after contraction had begun. In fact, consumer price rises did not peak until a full year and a half after cessation of monetary inflation, in December 1974, when prices were more than 12 percent higher than they had been in December 1973. Still worse, the ill effects of the slamming of the monetary brakes had begun to appear: unemployment figures rose and industrial activity took a nosedive. So the formerly sacred idea of government "fine-tuning" had only served to give the American economy the worst of both worlds, inflation (rising prices) *and* unemployment.

Fed Governor Partee had good reason for his expression of humility. There are so many factors about the money supply which cannot be calculated. For instance, the expansion of reserves described above depends in large measure upon the demand for borrowed funds. If that demand is unexpectedly slack, money supply growth can be stymied. This is what happened in late 1975. Loan demands fell rapidly because, as profits rose when the

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economy was starting to pull out of the recession, many companies unexpectedly built up stores of funds. Thus, outside credit needs were reduced. And, since it is principally checking accounts through which the manipulations of the open market operations work, money supply expansion projections were thus thrown off when corporations and individuals unexpectedly put idle cash into fixed time-deposits rather than checking accounts.

The Fed even has trouble keeping tabs on what is happening with the money supply it is trying to control. The mountains of statistics shot from the various individual Federal Reserve banks are often subject to wide error. And, while member bank deposits are reported weekly, even these can be mistaken. In one case, Fed experts tell of a computer error at a single bank that changed the money supply statistics for that week by *$500-million.*

Rothbard's command to the Fed

Given these last few pages reciting dishonesty and incompetence over such a vital area as money and economic health, it is fitting to quote the recommendations of an economist who has been a long-time critic of the Federal Reserve System. Murray Rothbard wrote in the July 1974 issue of the *Libertarian Forum* that

> The first necessary step to stopping the inflation is . . . simplicity itself, once we penetrate to the arcane processes of how the money supply expands: a command to the Fed to stop, forevermore, any purchase of assets; better yet would be to gain credibility by forcing the Fed to sell some of its assets and thereby contract the swollen supply of checkbook money. Of course, longer-run measures would also be vital: including the separation of money and banking from the State by a return to the gold standard at a realistic gold "price," and the abolition of the Federal Reserve System. But the first step would be a permanent command to the Fed to stop! its inflationary process. And the Fed will, of course, never do this unless it is compelled by mass public pressure from below. And to do that we need massive public education in the cause of the inflationary disaster. Furthermore, similar public pressure on the central banks of the world is also vitally necessary.

From April 1975 to September 1978, the Fed expanded the money supply to an even greater extent than it had during 1970-73. Depending on which measure is used, estimates of money growth during this period range from 10 to 15 percent annually. Thus, it was no accident that the general price level at the end of last year was 9 percent higher than at the end of 1977. Further, this rise still has some way to go. The roughly 17 percent annual wholesale price rise reported for January portends the sad fact that the price raising aftereffects of former money growth will be with us throughout early 1979.

Last year, however, the Fed decided to slam on the monetary brakes and began doing so in October 1978. By all measures, growth since then has either been miniscule or the money supply has even declined. Even though all figures are only through early February, the latest available, several months of sharply curtailed money growth is bound to produce a recession this year and next—an even sharper one than the last. High unemployment and a stagnant economy will have double-digit price-inflation rates along with it.

The fact that the dollar will probably rise this year against currencies like the Swiss franc, German mark and Japanese yen is not because American money managers have been models of restraint, but because these foreigners have been inflating their currencies at even higher rates than Washington. To understand this we must go back a few years. Basic U.S. money supply growth was climbing at an annual rate of roughly 10 percent in late 1976. That was at the time considered quite high and certainly more than our trading partners were inflating. Hence, the dollar's value overseas began taking a nosedive. Money growth for all of 1978, however (including the last quarter slowdown) was also about 10 percent. There had been no great change. But compare this with the other nations. During late 1976 German monetary growth was about 6 percent (all figures are on an annual basis). That latest reading is 14 percent, much more than double. Japan's monetary inflation rate was 3.6 percent in the final quarter of 1976. That figure had ballooned to 11.6 percent in mid-1978, and the latest three-month figure (annualized) was a huge 16.5 percent, almost quintupling during the last two years. Britain's rate was 11 percent then; it has jumped to 21 percent. Two years ago, France turned in a reading of 6 percent; the latest three-month increase is 16 percent. All of these figures pale, though, compared with Switzerland. The Swiss money supply managed to hold to a tiny 0.4 percent monetary growth rate during 1977. But last year the money supply exploded. At times, during 1978, it grew at an unbelievable annual rate of 33%; the money supply during all the year rose about 20%.

Ironically these economies and their currencies are doing great violence to themselves in order to stem the decline of the dollar. For these governments realize that the dollar is still the most important currency there is (as one wag put it, "Nothing can replace the U.S. Dollar . . . and it almost has"). A high German mark, for example, would price German exports out of the huge American market. More importantly, the dollar is at the center of the international web of statist monetary exploitation by which governments the world over systematically rob their own citizens by cheaper money each year. All other currencies are still defined in terms of the U.S. dollar.

What this recent foreign inflation means, in short, is not that the dollar is getting healthier, but rather that the rest of the world, apparently even Switzerland, seems bent on following the U.S. down the road to ever-greater rates of inflation.

Certainly the future of the world's paper currencies looks bleak. But this very fact can be taken as reason for a certain optimism. If private alternatives to State money emerge and spread during the next few years, the world will be offered an alternative to the discredited set-up of unbacked paper money in a banking system which can be manipulated by politicians at will. In the meantime, we must trumpet forth Dr. Rothbard's commands to the Fed to stop inflating. Moreover, we must demand an end to the legal tender laws which make it a crime to transact business in any other medium besides Federal Reserve Notes. Only in this way will the way be cleared for market alternatives to State money, be they gold, or F. A. Hayek's proposed system of commodity-money, or something else again. But whatever eventually happens, we can be assured that the more prices rise, the more fertile the ground will become for rethinking the once sacrosanct role of government in the monetary and banking system. ❑

Christopher Weber writes on economic and financial matters for a number of magazines and newsletters. He is a regular contributor to LR.

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WHY GOVERNMENT WILL NEVER STOP INFLATION

BRUCE BARTLETT

For those of us born since World War II it is sometimes difficult to realize that inflation has not been a way of life in the United States throughout its history. Indeed, the very idea that prices may have declined for long periods of time is totally foreign to us. Yet the facts speak for themselves:

In the year 1800 the Consumer Price Index stood at 51 (1967=100). It went up a bit during the War of 1812, reaching 63 in 1814. Thereafter there was a steady and continuous decline in the cost of living until the Civil War. Yet even at the height of the war in 1864 the price index stood at 47—still a good bit lower than it had been in 1814. Once again there followed a long, steady decline in prices until the eve of World War I.

The price index doubled between 1915 and 1920, from 30.4 to 60. But as in previous cases, once the war was over prices began to decline again and did so steadily until the mid-1930s. Since 1939, prices have increased every single year, with the only variation being in the rate of increase. The Consumer Price Index now stands at approximately 200 and is rising at the rate of about ten percent annually.

The truly alarming thing is that the rate of increase in prices has gone up so significantly in recent years. The price index in 1943 was approximately the same as it was in 1800. By 1967 the index had roughly doubled. Since 1967 the index has almost doubled again. At this rate of increase prices will double again by the early 1980s.

As we can see from this brief review of U.S. economic history, throughout most of our nation's existence there was a regular pattern of price behavior: Prices tended to remain stable except during wartime when they increased rapidly. After each war prices tended to decline gradually to their prewar level. Throughout the vast bulk of American history—roughly 150 years—prices tended to remain somewhere between 40 and 50 on the price index.

The reason for this pattern is relatively simple: Throughout most of our history the quantity of money was tied to a relatively fixed standard—gold. Since the quantity of gold can only vary with the rate at which it is discovered and mined, the rate of increase in the quantity of money was held to this rate. But during wartime, when government's need for revenue greatly exceeded its ability to borrow and tax, the checks on the money supply were cast aside. When peace was reestablished, a high level of economic growth restored, and the gold standard put back in place, then the supply of goods and services tended to "catch-up" with the larger quantity of money, and price reduction ensued.

The real question, therefore, is what has happened since World War II that has broken the pattern which held throughout all of previous American history. The answer is two-fold: On the one hand the previous checks on government's ability to increase the quantity of money—primarily the gold standard—are gone. On the other hand government now has a powerful vested interest in maintaining a high level of inflation which never existed previously. Under these circumstances a return to price stability is not impossible but will never occur unless certain fundamental changes are made in those institutions which cause and encourage inflation in government.

Bretton Woods and its aftermath

Following World War II the world's financial leaders met to devise a new international monetary system to replace the gold standard, which was universally abhorred because it tied the politicians' hands and prevented them from being able to print money at will and promise their people something for nothing. But support for the gold standard remained strong and they were forced to devise a system which seemed to have gold at its base.

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The resulting Bretton Woods system was nothing short of brilliant. It was decided to make the dollar the standard of value for all other currencies and to tie the dollar to gold. In theory the gold would act as a check on the dollar and the dollar would be a check on all other currencies. The problem was that the dollar link to gold was illusory since only foreign central banks could actually demand gold for dollars. But with the dollar being the medium of international exchange there was always a heavy demand for dollars, meaning that, in effect, the U.S. was free to print an unlimited quantity of dollars and have most of them held outside the United States, where they were not a threat to domestic prices.

The effect on the international monetary system was roughly the same as if, under the classic, pre-1913 gold standard, the United States had somehow discovered how to secretly manufacture gold in unlimited quantities, while no other country had such ability. The United States was able to spend dollars manufactured out of thin air without ever having to suffer any undesirable consequences.

Under a gold standard this could not have happened, for if a government became profligate and failed to control the issuance of its currency the value of its currency would fall. The result would be an increase in the price of gold as denominated in that currency and a demand by foreigners holding that currency for gold. At some point that nation's supply of gold and foreign currency would run out and it would discover that no other country would accept its currency in payment for goods. It would therefore be faced with the prospect of putting its financial house in order or having no foreign trade. And of course domestic prices would rise, making its goods progressively less desirable to foreign buyers. This is the system which kept U.S. and world prices stable for more than a century.

By the later 1960s, however, despite the Bretton Woods system, the flood of dollars throughout the world and the decline of the United States as an exporter, caused even the nominal link between gold and the dollar to be broken. We entered an era of floating exchange rates, in which the value of any currency was set on an open market. In theory this would help reestablish control over the issuance of dollars, or else the value of the dollar would fall against stronger currencies.

Unfortunately what has happened under floating is that all other nations have been given the same freedom to inflate that the United States has had since Bretton Woods. Instead of strong currencies acting as a check on weak currencies, all nations have inflated simultaneously, which means that exchange rates do not reflect the existence of the massive worldwide inflation that is taking place. And of course, there are very few politicians who really want to stop the system because it allows them to buy votes with worthless currency. Moreover, should they attempt to stop the inflation they will immediately come under heavy political pressure to inflate again, as the United States has done persistently to Germany and Japan.

Thus we have an international merry-go-round which not only encourages inflation but forces countries to go along. Until it is replaced with some kind of fixed standard, such as gold, to which all currencies can relate, the international incentive for the United States to inflate will continue.

Inflation and the national debt

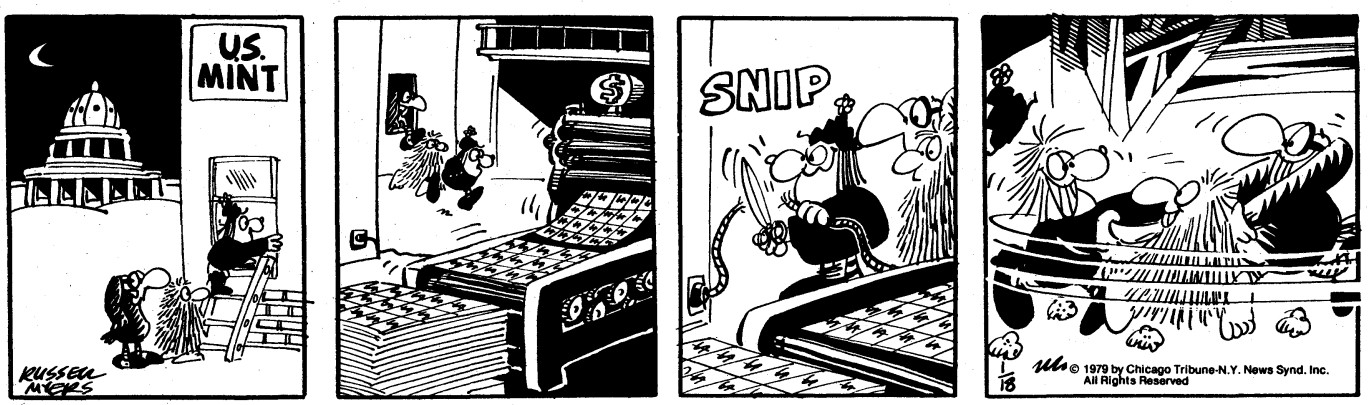
Perhaps the classic reason of all time for government to inflate its currency is to pay off its debts. As Adam Smith wrote in *The Wealth of Nations:* "When national debts have once been accumulated to a certain degree, there is scarce, I believe, a single instance of their having been fairly and completely paid. The liberation of the public revenue, if it has ever been brought about at all, has always been brought about by a bankruptcy; sometimes by an avowed one, but always by a real one, though frequently by a pretended payment."

The "pretended payment" of which Smith spoke is inflation. It works like this: Say you have bought a government bond with the principal due sometime in the future. If there is unanticipated inflation then inflation simply acts as a tax on the principal. In other words, at a six percent inflation rate six percent of the value of that bond vanishes each year. In this way the government systematically pays off its debts and that is why the federal government's debt as a percentage of Gross National Product has dropped from 90 percent in 1950, to 57 percent in 1960 to a current level of about 37 percent.

There are two problems with this practice. The first is that if inflation becomes anticipated then the government cannot sell new bonds except by paying an interest rate equal to the "real" rate of interest plus the anticipated rate of inflation. But this isn't really that much of a problem because the government can always sell its bonds to the Federal Reserve. In 1950 the Federal Reserve owned only five percent of the outstanding public debt. This rose to nine percent in 1960 and is now up to about 15 percent.

It should be kept in mind that to say the Federal Reserve buys the government's bonds is somewhat of a misnomer. The Fed does not pay for such bonds out of real savings of some kind but by creating money out of thin air, which of course is the fundamental cause of inflation. This process was once described by Secretary of the Treasury Robert Anderson in the following terms:

Now suppose I wanted to write checks for $100 million



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starting tomorrow morning, but the Treasury was out of money. If I called up a bank and said, "Will you loan me $100 million at 3½ percent for six months if I send you over a note to that effect?" the banker would probably say, "Yes I will."

Where would he get the $100 million with which to credit the account of the U.S. Treasury? Would he take it from the account of someone else? No, certainly not. He would merely create that much money, subject to reserve requirements, by crediting our account in that sum and accepting the government's note as an asset. When I had finished writing checks for $100 million the operation would have added that sum to the money supply.

Now certainly that approaches the same degree of monetization (creating money) as if I had called down to the Bureau of Engraving and Printing and said, "Please print me up $100-million worth of greenbacks which I can pay out tomorrow."

Thus that fifteen percent of the public debt owned by the Federal Reserve, which presently amounts to about $100-billion, was created through this process and resulted in a 5 to 6-fold increase in the quantity of money. As this "high-powered" money went into the system it created a base upon which private banks could increase the quantity of money still further via fractional reserves. Thus if there is a 20 percent reserve requirement for private banks, a $100 increase in the quantity of money by the Federal Reserve would lead to approximately a $500 increase by the private banking system.

In spite of the government's ability to write off its debt with worthless money, thereby causing inflation, the government still has a major problem with its total debt. This is due to the fact that the government's broadly defined debt, which would be its total liability including all future commitments presently made, is increasing at an astronomical rate, largely because of commitments made to pay social security and annuity benefits.

The Federal Government does not like to publicize its total liabilities, but is required to do so by law each year. An examination of its most recent statement (Figure A) shows the Federal Government's total liabilities stand today at more than $15-trillion (a trillion is $1,000-billion).

As one can see, the public debt is a rather small proportion of the total debt, The $12-trillion listed for annuities is by far the largest portion of total liabilities, which represents the total commitment to pay if everyone presently entitled to benefits lives a normal life span and no additional taxes are paid. Needless to say, the prospect of the Federal Goverment paying off such an enormous debt, which is growing each year, is highly unlikely. As one who would not be eligible for social security benefits until after the year 2000, I can only say that I, for one, do not believe I will ever see a dime of those benefits and no one else I know from my generation believes he will either. How this fundamental crisis will be resolved when the inevitable bankruptcy occurs—perhaps through a hyperinflation which would wipe out the real value of this debt—no one can say. But it will be resolved soon.

FIGURE A

Total Liabilities of the United States Government
(in millions of dollars)

Year	1976	1977	1978
The Public Debt on Sept. 30	$634,702	$698,840	$771,544
Agency Securities Issued and Outstanding	11,047	10,298	8,881
Deposit Fund Liability Accounts	3,060	3,289	3,368
Checks and Other Instruments Outstanding	5,480	7,612	7,885
Accrued Interest on the Public Debt, not due	4,378	4,712	6,733
Deferred Interest (premium) on Public Debt Subscriptions	259	295	295
Other Liabilities on the Books of the Treasury	−2	−6	−1
Accounts Payable and Accruals on the Books of Government Agencies	67,269	63,990	71,955
Undelivered Goods	266,281	332,109	377,506
Long-term Contracts	13,002	15,126	19,223
Government Guarantees, Insuring Private Lenders Against Losses	190,638	209,926	230,301
Insurance Commitments	1,629,119	1,733,106	2,078,324
Actuarial Liabilities of Annuity Programs	11,682,860	13,057,255	11,978,090
Unadjusted Claims	14,014	11,531	14,723
International Commitments	10,281	10,905	10,618
Other Contingencies Not Included Above	28,868	20,788	20,764
Total Liabilities	14,561,256	16,179,776	15,600,179

Source: Department of the Treasury, Fiscal Service, Bureau of Government Financial Operations

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Inflation and the tax bite

The last major reason why the government likes inflation is that it leads to an automatic increase in taxes on both individuals and businesses, without the necessity of passing any new laws. This is a phenomenon related primarily to the graduated income tax. As an individual's nominal (money) income goes up he finds himself in progressively higher tax brackets. Thus if one's income rises simultaneously with inflation one is progressively worse off because of the increase in taxes. The table in figure B shows what has happened to a family of four with the national median income, in terms of federal taxes and real disposable income, despite the passage of four federal tax reductions by Congress:

FIGURE B

Changes in Taxes and Real Disposable Income for a Family of Four Earning the Median Income, 1967-1977

Year	1967	1977 (Current-$)	1977 (1967-$)
Income	$8,400	$17,000	$9,366
Federal Tax	$764	$1,822	$1,004
Social Security Tax	$174	$965	$532
Total Tax	$938	$2,787	$1,536
Disposable Income	$7,462	$14,213	$7,830
Effective Tax Rate	11.2%	16.4%	16.4%
Marginal Tax Rate	19%	22%	22%
Increase in Income		102%	11%
Increase in Federal Tax		138%	31%
Increase in Social Security Tax		454%	206%
Increase in Total Tax		197%	64%
Increase in Disposable Income		91%	5%

As it turns out, the median family was lucky. Its real income went up faster than inflation so that it ended up with an increase in real disposable income of five percent over the decade.

If that same family were to be projected into the future and we assume that there were to be six percent inflation and that the family income would rise by the same amount with no changes in present tax law, it would, unfortunately, suffer a real loss of income (see Figures C and D).

The government does not publicize this secret tax increase, but it certainly knows about it and depends upon it. A simple rule of thumb used by the Congressional Budget Office,for example, says that individual income tax revenues to the government will increase 1.5 percent for every one percent rise in the Consumer Price Index (CPI). The table in Figure E, compiled by the Joint Committee on Taxation of the United States Congress, shows the aggregate dollar increase in income taxes by adjusted gross income class for three recent years. As one can see, taxes will increase $7.5 billion this year alone, assuming 6½ percent inflation.

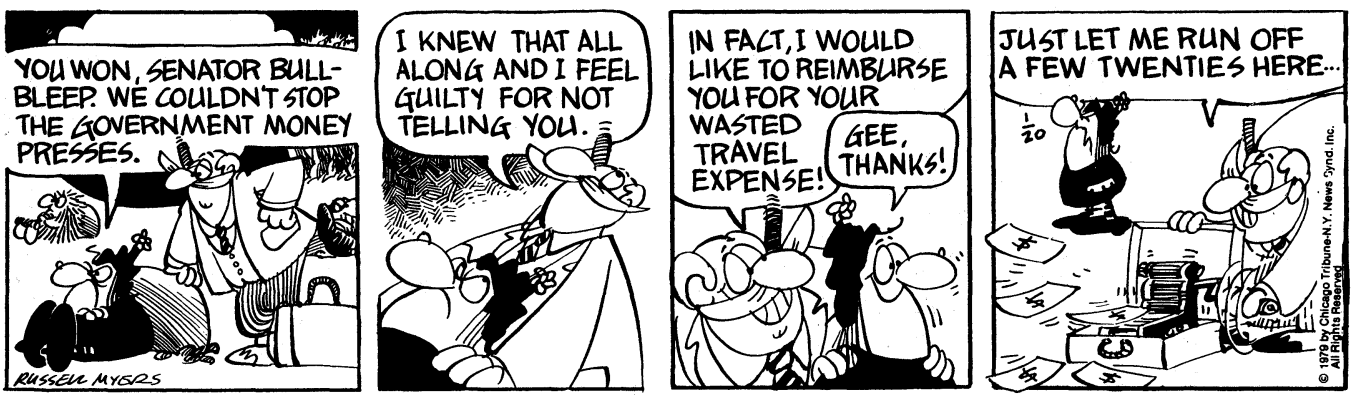
This massive rip-off of the taxpayers is not only indefensible ethically but is doing enormous damage to the economy. It raises marginal tax rates on all workers, driving a vast wedge between their work effort and their

FIGURE C

Changes in Taxes and Income Using Current Dollars

Year	1978	1979	1980	1981
Adjusted Gross Income	$17,000	$18,020	$19,101	$20,248
Federal Income Tax	$1,822	$2,042	$2,311	$2,586
Social Security Tax	$1,028	$1,105	$1,171	$1,346
New York City Income Tax	$632	$718	$815	$925
Total Tax	$3,729	$4,140	$4,604	$5,199
After-tax Income	$13,271	$13,880	$14,497	$15,049
Effective Tax Rate	21.9%	23.0%	24.1%	25.7%
Marginal Tax Rate	32.7%	33.9%	36.9%	38.9%
Cumulative Increase in Adjusted Gross Income		6.0%	12.4%	19.1%
Cumulative Increase in Taxes		11.0%	23.5%	39.4%
Cumulative Increase in After-Tax Income		4.6%	9.2%	13.4%

Note: Totals may not add due to rounding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RUSSELL MYERS
I KNEW THAT ALL ALONG AND I FEEL GUILTY FOR NOT TELLING YOU.
IN FACT, I WOULD LIKE TO REIMBURSE YOU FOR YOUR WASTED TRAVEL EXPENSE!
GEE, THANKS!
JUST LET ME RUN OFF A FEW TWENTIES HERE...
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after tax reward; it reduces their real standard of living and prevents them from improving themselves; and it takes place insidiously without their knowledge. Is it any wonder, therefore, that taxpayers are increasingly fighting back with whatever weapons they are given? Such things as the Jarvis-Gann initiative in California, which has drastically cut property taxes in that state, will become more frequent and more successful.

Business too is suffering. Because inflation increased both their nominal profits and their real costs, businesses ended up paying something like seven billion more federal tax dollars in 1976 than they would have in the absence of the inflation distortion. Thus, although nominal profits are rising to record levels, real profits after tax, adjusted for inflation, are considerably lower. This has led Securities and Exchange Commission chairman Harold Williams to recently remark in a speech: "In my judgment, American corporations, as a whole, are—rather than generating shockingly high profits—earning at dangerously low levels, if they are to discharge the responsibilities we expect them to shoulder."

Many individuals and businesses that derive income from bonds and capital gains are actually getting negative rates of return. It happens like this: Say you buy an asset for $100, sell it a year later for $105 and inflation has gone up 5 percent in the meantime. Your real return is zero, since inflation cancels out your gain. But since you will pay tax on the $5 profit anyway your return becomes negative. Similarly, if you are getting five percent interest on a bond when there is five percent inflation, the tax you pay on that interest income will result in a negative return on your investment. According to a study by the National Bureau of Economic Research, in 1973 alone individuals paid capital gains tax on more than $4.5-billion in nominal gains. But when corrected for inflation, this nominal gain became a $1-billion capital loss. Thus the $500-million in tax paid constituted an additional capital loss.

One could go on to cite additional reasons why the government likes inflation, such as the automatic increase in spending it allows for government programs, but the foregoing are the major ones.

Controlling these institutions which give impetus to the government to inflate will not be easy. To eliminate the international pressure to inflate there must be reestablishment of a gold standard or some kind of system which will put outside pressure on monetary authorities to hold down the rate at which it increases the quantity of money. The debt problem can only be solved through fundamental reform of the government's annuity programs; the Congress's recent attempt to deal with this by raising social security taxes by $227-billion over the next decade is only a drop in the bucket. The tax problem clearly requires indexing of both tax rates and capital gains, so that taxes will only be paid on the real increase in income or profit. Such proposals have been made in Congress and should be acted upon.

In the final analysis, government is the only cause of inflation, because only government controls the printing presses. The temptation to use the printing press when the people make demands on government which it cannot otherwise fulfill is powerful. But it is worse when this pressure is multiplied by a tax system which raises revenue faster than prices go up, an international monetary system which creates inflation on a world-wide scale, and a burden of debt which exceeds any human effort at repayment without bankruptcy. ❑

FIGURE D

Changes in Taxes and Income Using Real Dollars

Year	1978	1979	1980	1981
Adjusted Gross income	$17,000	$17,000	$17,000	$17,000
Federal Income Tax	$1,822	$1,926	$2,057	$2,171
Social Security Tax	$1,028	$1,042	$1,042	$1,130
New York State Income Tax	$632	$677	$725	$777
New York City Income Tax	$247	$259	$273	$286
Total Tax	$3,729	$3,906	$4,098	$4,364
Excess Burden of Taxation		$177	$369	$635
Real After-tax Income	$13,271	$13,094	$12,902	$12,636
Cumulative Increase in Adjusted Gross Income		0	0	0
Cumulative Increase in Taxes		4.7%	9.9%	17.0%
Cumulative Increase in After-tax Income		−1.3%	−2.8%	−4.8%

Note: Totals may not add due to rounding

FIGURE E

Increase in Individual Income Taxes Resulting From Inflation By Adjusted Gross Income Class, Selected Years

(in millions of dollars)

AGI Class	1974	%	1976	%	1978	%
Under $5,000	$425	6%	$166	3%	$128	2%
$5,000-$10,000	$1,035	15%	$664	13%	$729	10%
$10,000-$15,000	$1,249	17%	$760	15%	$934	12%
$15,000-$20,000	$1,210	17%	$831	16%	$1,094	15%
$20,000-$50,000	$2,279	32%	$2,000	39%	$3,437	45%
$50,000-$100,000	$637	9%	$514	10%	$861	11%
$100,000+	$289	4%	$179	4%	$359	5%
Total	$7,124		$5,114		$7,542	
CPI	+12.2%		+4.8%		+6.5% (est.)	

Source: Joint Committee on Taxation

Bruce Bartlett is a veteran congressional aide and widely published writer on political and economic issues, whose articles have appeared in *Washington Monthly, National Review,* and *The New York Times,* among other periodicals. His book, *Cover-up: The Politics of Pearl Harbor, 1941-1946,* was published in December by Arlington House. He is a contributing editor of LR.

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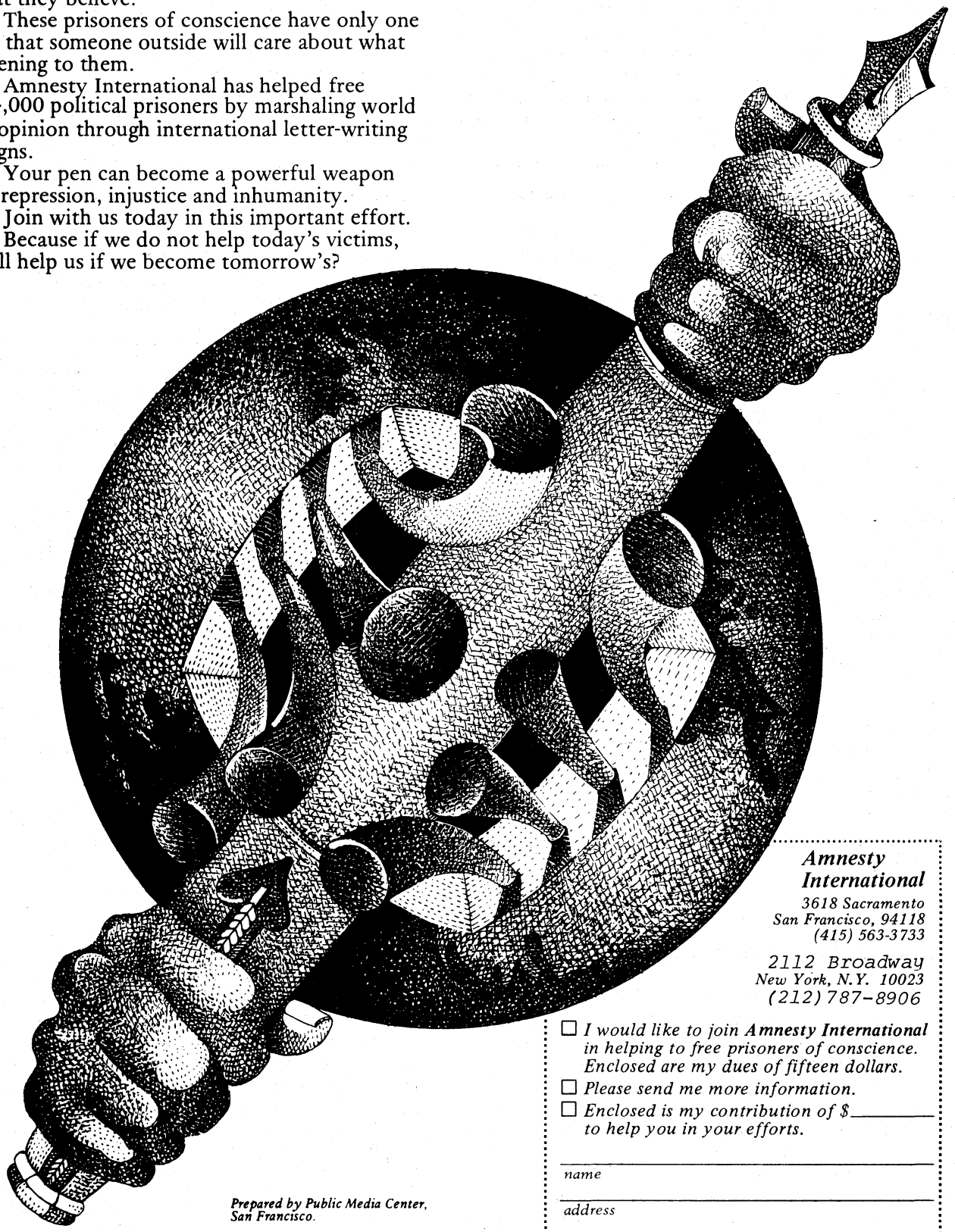

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Japan and American Policy in the Far East

LEONARD P. LIGGIO

In the midst of today's burgeoning conflicts between the various powers of Asia, some policy-makers in the United States are urging America to take a larger role through its foreign policy. Such suggestions usually stem from a profound historical ignorance of the nature of Asian conflicts, and specifically from a steady blindness toward the role that Japan can and must play in that area of the world. America's Cold War economy today is the direct historical result of the United States' interference in the Great Power rivalries in the Far East. It was this continual interference that led the Japanese to respond by the attack on the U.S. Pacific fleet at Pearl Harbor in 1941, launching American involvement in the most devastating war of this century. In the contest in the Far East between China, the Soviet Union and Japan, the United States had taken the side of China, then ruled and dominated by the Nationalist regime of Chaing Kai-shek. In the face of that de facto alliance, the Japanese and the Soviet Union signed a nonaggression pact in April 1941, which freed the Russians to meet the potential German invasion of June and freed the Japanese to undertake serious negotiations to seek a compromise settlement of the China problem. The American hard-line on China resulted in American entry into World War II, and the ultimate victory of the Chinese Communists which was the most significant consequence of that war.

Although defeated by the American armed forces in that war, in many ways Japan emerged from the conflict with the greatest potential of any Asian nation, both militarily and economically. In an essay written in 1950 for the Foreign Policy Association, Harvard professor and former U.S. Ambassador to Japan Edwin Reischauer noted that "Although far weaker industrially than Western Europe, the United States or the Soviet Union, Japan is still the only other centre capable of producing significant military power today, and it is militarily all the more important because of its isolation from the other great industrial nations. Japan, therefore, is an area of major military significance, an area which, if it were to shift sides, could appreciably alter the balance of power in the world." However, because of American imposition of a non-military constitution on Japan after World War II, Japan's military potential has not been developed. As a result, in its foreign policy, Japan does not side militarily with one power against another, but instead pursues its self-interest by trading with all countries while tending to cooperate with the United States and Western Europe diplomatically. Reischauer has predicted that this situation will in the near future take on a different coloration. At the second Japanese-American assembly in September, 1969, he predicted that a consequence of Japan's emergence as a leading world power would be that the "United States will co-operate in Japan's foreign policy instead of Japan co-operating in American foreign policy."

The Nixon administration came into office intent on having Japan shoulder the military responsibilities of the "free world" in East Asia. But Nixon's economic policies toward the Japanese were so negative that there was not a basis on which to move in that direction.

In January, 1969, during a Japanese-American conference at the Center for the Study of Democratic Institutions, Suji Kurauchi, Director of Japan's House Committee on Foreign Affairs, noted widespread fears "that the United States is grooming Japan for a military role in Asia similar to the one it expects West Germany to play in Europe. . . Many Japanese fear that as the United States moves to make Japan its successor as the policeman of the Pacific, re-armament will naturally follow." Then, in September 1969, Japan's Defence Agency issued a white paper indicating a sharp increase in military spending due to

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expectation of strong tensions between communist and non-communist governments in Asia. This was preparatory to the November 1969 visit with Nixon by Japan's prime minister, Eisaku Sato. Sato sought to create popular support for Japan's complete conventional re-armament.

Yet, as policy-makers well knew, increases of taxation to pay for rearmament would drive up the cost of production of Japanese goods, and the resulting increases in prices of exports would have greatly reduced the margin of Japan's advantages in international trade. As a result, Japan's economic decision-makers have resisted the politicians' attempts to move to rearmament.

Article 9 of the Japanese Constitution, imposed on defeated Japan after World War II, provides that "the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized." The U.S.-Japan Peace Treaty of September 8, 1951, signed by John Foster Dulles and Prime Minister Shigeru Yoshida, declared that Japan would rearm only under the provisions of the constitution. Yoshida was pressured by the U.S. to sign a peace treaty ending World War II *only* with Taiwan rather than with both Taiwan *and* the People's Republic of China as Yoshida preferred. Following the November 1955 merger of the Democratic and Liberal parties, Japanese prime minister Ichiro Hatoyama sought to broaden Japanese diplomatic possibilities by signing a peace treaty with the Soviet Union.

Relations with Communist China, however, had to take a more roundabout route. Given U.S. opposition to any Japanese diplomatic relations with China, the Japanese emperor approved the request of one of the imperial princes, who was a leading scholar of Chinese culture, to take up residence in Peking in an imposing palace. As a private imperial cultural liaison with China, the U.S. could not object if numerous Japanese trade delegations shared his hospitality at receptions which the prince gave for high Chinese officials. Somehow these cultural evenings produced morning-after agreements for massive trade through Communist China's huge banking operations in Hong Kong. When China's vice-premier, Teng Hsiao-ping, visited Japan last fall he visited Nippon Steel chairman Yoshihio Inayama, who had taken the lead twenty years ago in pressing for trade with China. For years Inayama led the industrial community in freeing Japan from America's dominance. In 1972 foreign minister Masayoshi Ohira—now Prime Minister—negotiated the foundations for the normalization of Japanese-Chinese relations, which led to the meeting between then-Prime Minister Kakuei Tanaka and China's Chou En-lai. The continued improvement in Japanese-Chinese relations over the past few years occurs in the context of strained diplomatic relatins between Japan and the Soviet Union. The Soviet Union has sought to exclude Japan from fishing in waters off its north Pacific territories.

At the same time, the Soviet Union has been anxious to have Japan invest heavily in the development of Siberian resources: coal, minerals, timber, natural gas, and the necessary railroad and pipeline facilities. The Soviet resources are attractive because of their nearness to Japan and the fact that they can be shipped the short-distance across the ice-free Sea of Japan. The Soviets have taken their time to follow through on this investment in their development. But Japan will find at least an equally good partner in Communist China. At present, Japan is the major customer for the natural resources of Alaskan and British Columbian minerals, timber, pulp, coal and crude oil. Similarly, Japan has heavily invested in the natural resources of other major Pacific sources—Australia, New Zealand and Indonesia. Japan is hopeful that China will be an important future source of oil since most of Japan's oil comes from the troubled and unstable Persian Gulf and the U.S. has been reluctant to sell Alaskan oil to Japan.

As the *Far Eastern Economic Review* (November 3, 1978) noted, the Japanese exporters of plants and technology are more enthusiastic about buying China's oil in exchange than are the oil refineries and power companies, who are facing environmental controls on nitrogen oxides. China's oil is high in nitrogen compounds and wax content and has a heavy oil content although it is low in sulphur. China's oil would require high investment in new

IT'S SIMPLE: COMMUNIST RUSSIA IS MAD AT COMMUNIST CHINA BECAUSE COMMUNIST CHINA INVADED COMMUNIST VIETNAM BECAUSE COMMUNIST VIETNAM INVADED COMMUNIST CAMBODIA, GOT IT?
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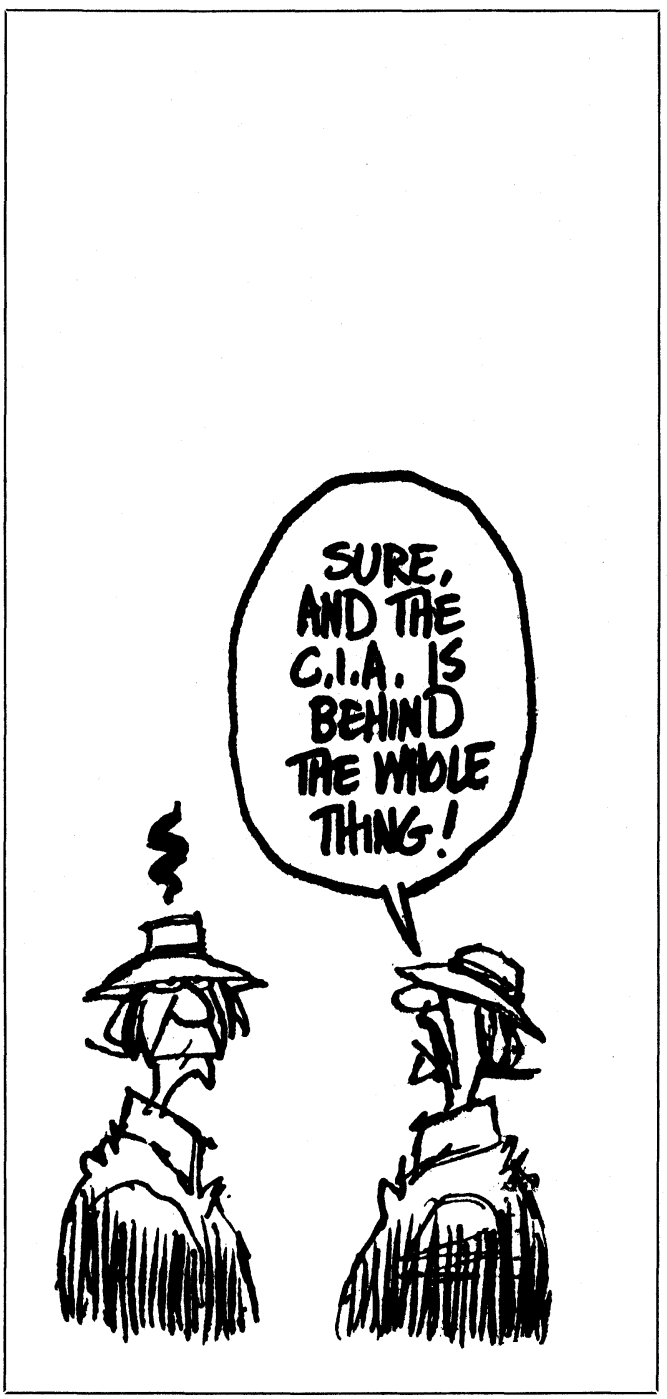
cracking facilities by Japan's refineries. Japan's refineries hardly need the added expense, especially as there is plenty of light oil already available, and more is being discovered and developed in Mexico, another important future partner of Japan. With the Arabs attempting to pressure the Japanese to buy more heavy oil (which is high in sulphur and requires thermal cracking), China's nearby low sulphur heavy oil (requiring other cracking technology) can look politically advantageous.

Estimates of China's oil reserve vary from the CIA's June 1977 study "China: Oil Production Prospects" which predicted China's onshore reserves as comparable to America's 39-billion barrels with an equal amount off shore, to Teng's claim of 400-billion barrels. Given the poor state of China's oil technology, however, any prediction is likely to be mainly guesswork. (On China's oil industry, see Christopher Howe, *China's Economy,* New York, Basic Books, 1978.)



To finance the new China-Japan trade, Japan's 16 major private banks are seeking to provide credit to the Chinese. China may issue yen bonds in the Tokyo market, but China may not be willing to accept the very strict disclosure requirements of the Tokyo market. In lieu of these sources, doubtless, like Russia and Zaire, China may have a friend at Chase Manhattan Bank.

Far Eastern Economic Review editor Derek Davies has noted that there is a strong possibility that Japan's ruling Liberal Democratic party will fully cut itself free from the right-wing Seirankai faction which seeks rearmament and a belligerent response to outside pressures. The Liberal Democratic party (cf. Nathaniel B. Thayer, *How the Conservatives Rule Japan,* Princeton University Press, 1969) is tending toward a no rearmament posture and is seeking purely diplomatic means to solve international issues. There is a simple reason for this: after following the American model for thirty years, the Japanese have found that the huge American expenditures on military budgets and consequent malinvestment in armaments industries has led to a lessening of economic growth and a loss of economic leadership.

America's inflation, resulting in part from those policies, has become a warning to the Japanese to abandon the American model of "capitalism" and keep as much distance from that supposed "capitalism" as from socialism. As a result, the Japanese have begun to develop their own unique sense of themselves. They are rejecting the inflationary West and the technologically backward East, and declaring themselves a new cultural-economic force in the world. The election in December of a new prime minister, Masayoshi Ohira, will only increase the tendency to Japanese to seek a new independence. Ohira, one of the few Christians in Japanese politics, is a strong fiscal conservative who cherishes Japan's economic advantage in U.S. trade—which is based on lower military spending and taxation. He is likely to lead the Liberal Democratic party more firmly in the direction of rejection of rearmament and toward a multi-directional foreign policy seeking peace and trade with all nations.

James Reston, in the New York Times, December 1, 1978, noted the great paradox that while western nations are questioning the goals of materialism and even the values of Western culture, the socialist countries "are yearning for the benefits of the capitalist materialism they condemn." Reston quotes the English historian Herbert Butterfield (1960): "We have reached a moment at which the peoples of Asia cannot understand either their Marxism or their dreams of autonomy, either their secular ideals or their government machinery without digging into the history of Western Europe. . . . It is possible for us in the West to lose faith in ourselves and forget the way in which the Asiatic continent has surrendered to the West, taking over our science, our technology, our political ideals, our diplomatic traditions, our governmental practices, and many of our ideas about life." To take that a little further, while America has lost much of its faith in the cultural norms upon which capitalism flourished, it is possible that Japanese cultural norms will provide a new garden in which the flowering of capitalism, without militarism and the resulting inflation, will be possible. ❑

Leonard P. Liggio is the editor of *Literature of Liberty.* His articles on historical and political subjects have appeared in a number of journals, books, and magazines. He is an associate editor of LR.

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BOOKS AND THE ARTS

Trotsky: the ignorance and the evil

RALPH RAICO

Leon Trotsky, *by Irving Howe. Viking Press, 214 pp., $10.00.*

LEON TROTSKY has always had a certain appeal for intellectuals that the other Bolshevik leaders lacked. The reasons for this are clear enough. He was a writer, an occasional literary critic—according to Irving Howe, a very good one—and an historian (of the revolutions of 1905 and 1917). He had an interest in psychoanalysis and modern developments in physics, and, even when in power, suggested that the new Communist thought-controllers should-n't be too harsh on writers with such ideas—not exactly a Nat Hentoff position on freedom of expression, but about as good as one can expect among Communists.

Above all, Trotsky was himself an intellectual, and one who played a great part in what many of that breed have considered to be the *real world*—the world of revolutionary bloodshed and terror. He was second only to Lenin in 1917; in the Civil War he was the leader of the Red Army and the Organizer of Victory. As Howe says: "For intellectuals throughout the world there was something fascinating about the spectacle of a man of words transforming himself through sheer will into a man of deeds."

Trotsky lost out to Stalin in the power struggle of the 1920s, and in exile became a severe and knowledgeable critic of his great antagonist; thus, for intellectuals with no access to other critics of Stalinism—classical liberal, anarchist, or conservative—Trotsky's writings in the 1930s opened their eyes to some aspects at least of the charnel-house that was Stalin's Russia. During the period of the Great Purge and the Moscow show-trials, Trotsky was placed at the center of the myth of treason and collaboration with Germany and Japan that Stalin spun as a pretext for eliminating his old comrades. In 1940, an agent of the Soviet secret police, Ramon Mercador, sought Trotsky out at his home in Mexico City and killed him with an ice ax to the head.

Irving Howe, the distinguished literary critic and editor of *Dissent,* tells the story of this interesting life with great lucidity, economy, and grace. The emphasis is on Trotsky's thought, with which Howe has concerned himself for almost the past 40 years. As a young man, he states: "I came for a brief time under Trotsky's influence, and since then, even though or perhaps because I have remained a socialist, I have found myself moving farther and farther away from his ideas."

Howe is in fact considerably more critical of Trotsky than I had expected. He identifies many of Trotsky's crucial errors, and uses them to cast light on the flaws in Marxism, Leninism, and the Soviet regime that Trotsky contributed so much to creating. And yet there is a curious ambivalence in the book. Somehow the ignorance and evil in Trotsky's life are never allowed their full weight in the balance, and, in the end, he turns out to be, in Howe's view, a hero and "titan" of the twentieth century. It's as if Howe had chosen not to think out fully the moral implications of what it means to have said and done the things that Trotsky said and did.

We can take as our first example Howe's discussion of the final-outcome of Trotsky's political labors: the Bolshevik revolution and the Soviet regime. Throughout this book Howe makes cogent points regarding the real class character of this regime—and other Communist governments—which, he notes, manifested itself very early on:

> A new social stratum—*it had sprung up the very morning of the revolution*—began to consolidate itself: the party-state bureaucracy which found its support in the technical intelligentsia, the factory managers, the military officials, and, above all, the party functionaries . . . To speak of a party-state bureaucracy in a country where industry has been nationalized means to speak of a new ruling elite, perhaps a new ruling class, which parasitically fastened itself upon every institution of Russian life. [emphasis in original]

Howe goes on to say that it was not to be expected that the Bolsheviks themselves would realize what they had done and what class they had actually raised to power: "It was a historical novelty for which little provision had been made in the Marxist scheme of things, except perhaps in some occasional passages to be found in Marx's writings about the distinctive social character of Oriental despotism."

This is not entirely correct. Howe himself shows how Trotsky, in his book *1905* (a history of the Russian revolution of that year), had had a glimpse of this form of society, one in which the state bureaucracy was itself the ruling class. In analyzing the Tsarist regime, Trotsky had picked up on the strand of Marxist thought which saw the state as an *independent parasitic body,* feeding on *all* the social classes engaged in the process of production. This was a view that Marx expressed, for instance, in his *Eighteenth Brumaire of Louis Bonaparte.*

More importantly, the class character of Marxism itself—*as well as the probable consequences of the coming to power of a Marxist Party*—had been identified well before Trotsky's time. The great nineteenth century anarchist Michael Bakunin—whose name does not even appear in

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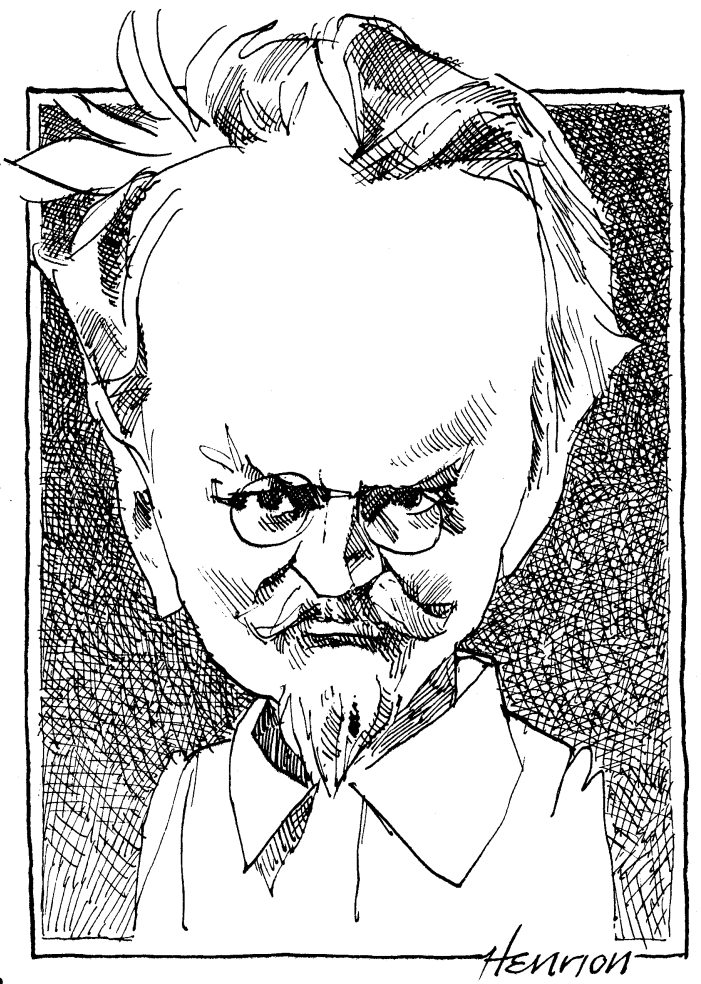
Howe's book, just as not a single other anarchist is even mentioned anywhere in it—had already subjected Marxism to critical scrutiny in the 1870s. In the course of this, Bakunin had uncovered the dirty little secret of the future Marxist state:

> The State has always been the patrimony of some privileged class or other; a priestly class, an aristocratic class, a bourgeois class, and finally a bureaucratic class . . . But in the People's State of Marx, there will be, we are told, no privileged class at all . . . but there will be a government, which will not content itself with governing and administering the masses politically, as all governments do today, but which will also administer them economically, concentrating in its own hands the production and the just division of wealth, the cultivation of land, the establishment and development of factories, the organization and direction of commerce, finally the application of capital to production by the only banker, the State. All that will demand an immense knowledge and many "heads overflowing with brains" in this government. It will be the reign of *scientific intelligence,* the most aristocratic, despotic, arrogant, and contemptuous of all regimes. There will be a *new class,* a new hierarchy of real and pretended scientists and scholars . . . . [emphasis added]

This perspective was taken up somewhat later by the Polish-Russian revolutionist, Waclaw Machajski, who held, in the words of Max Nomad, that "nineteenth century socialism was not the expression of the interests of the manual workers but the ideology of the impecunious, malcontent, lower middle-class intellectual workers . . . behind the socialist 'ideal' was a new form of exploitation for the benefit of the officeholders and managers of the socialized state."

Thus, that Marxism in power would mean the rule of state functionaries was not merely intrinsically probable—given the massive increment of state power envisaged by Marxists what else *could* it be?—but it had also been *predicted* by writers well known to a revolutionary like Trotsky. Trotsky, however, had not permitted himself to take this analysis seriously before committing himself to the Marxist revolutionary enterprise. More than that: "To the end of his days," as Howe writes, he "held that Stalinist Russia should still be designated as a 'degenerated workers' state' because it preserved the nationalized property forms that were a 'conquest' of the Russian Revolution"—as if nationalized property and the planned economy were not the *very instruments of rule* of the new class in Soviet Russia!



It remained for some of Trotsky's more critical disciples, especially Max Shachtman in the United States, to point out to their master what had actually happened in Russia: that the Revolution had not produced a "workers' state", nor was there any danger that "capitalism" would be restored, as Trotsky continued to fret it would. Instead, there had come into an existence in Russia a "bureaucratic collectivism" even more reactionary and oppressive than what had gone before. Trotsky rejected this interpretation. In fact he had no choice. For, as Howe states, the dissidents "called into question the entire revolutionary perspective upon which [Trotsky] continued to base his politics. . . . There was the further possibility, if Trotsky's critics were right, that the whole perspective of socialism might have to be revised." Indeed.

To his credit, Howe recognizes that a key period for understanding Bolshevism, including the thought of Trotsky, is the period of war communism, from 1918 to 1921. As he describes it: "Industry was almost completely nationalized. Private trade was banned. Party squads were sent into the countryside to requisition food from the peasants." The results were tragic on a vast scale. The economic system simply broke down, with all the immense suffering and all the countless deaths from starvation that such a small statement implies. As Trotsky himself later put it: "The collapse of the productive forces surpassed anything of the kind that history had ever seen. The country, and the government with it, were at the very edge of the abyss."

How had this come about? Here Howe follows the orthodox interpretation: war communism was merely the product of emergency conditions, created by the Revolution and the Civil War. It was a system of "extreme measures [which the Bolsheviks] had never dreamt of in their earlier programs."

Now, this last may be, strictly speaking, correct. It may well be, that is, that the Bolsheviks had never had the slightest idea of what their aims *would* mean *concretely* for the economic life of Russia, how those aims would of necessity have to be implemented, or what the consequences would be. But war communism was no mere "improvisation," whose horrors are to be chalked up to the chaos in Russia at the time. The system was *willed* and itself helped *produce* that chaos. As Paul Craig Roberts has argued in his brilliant book *Alienation and the Soviet Economy,* war communism was an attempt to translate into

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Reality the Marxist ideal: the abolition of "commodity production," of the price system and the market. This, as Roberts demonstrates, was what Marxism was *all about*. This is what the end of "alienation" and the final liberation of mankind *consisted in*. Why should it be surprising that when self-confident and determined Marxists like Lenin and Trotsky seized power in a great nation, they tried to put into effect the *very policy* that was their whole reason for being?

As evidence for this interpretation, Roberts quotes Trotsky himself (ironically, from a book of Trotsky's writings edited by Irving Howe):

> . . . the period of so-called "war communism" [was a period when] economic life was wholly subjected to the needs of the front . . . it is necessary to acknowledge, however, that in its original conception it pursued broader aims. The Soviet government hoped and strove to develop these methods of regimentation directly into a system of planned economy in distribution as well as production. In other words, from "war communism" it hoped gradually, but without destroying the system, to arrive at genuine communism . . . reality, however, came into increasing conflict with the program of "war communism." Production continually declined, and not only because of the destructive action of the war.

Roberts goes on to quote Victor Serge: "The social system of those years was later called 'War Communism.' At the time it was called simply 'Communism' . . . Trotsky had just written that this system would last over decades if the transition to a genuine, unfettered Socialism was to be assured. Bukharin . . . considered the present mode of production to be final."

One slight obstacle was encountered, however, on the road to the abolition of the price system and the market: "Reality," as Trotsky noted, "came into increasing conflict" with the economic "system" that the Bolshevik rulers had fastened on Russia. After a few years of misery and famine for the Russian masses—there is no record of any Bolshevik leader having died of starvation in this period—the rulers thought again, and a New Economic Policy (NEP)—including elements of private ownership and allowing for market transactions—was decreed.

The significance of all this cannot be exaggerated. What we have with Trotsky and his comrades in the Great October Revolution is the spectacle of a few literary-philosophical intellectuals seizing power in a great country with the aim of overturning the whole economic system—*but without the slightest idea of how an economic system works*. In *State and Revolution,* written just before he took power, Lenin wrote: "The accounting and control necessary [for the operation of a national economy] have been *simplified* by capitalism to the utmost, till they have become the extraordinarily simple operations of watching, recording and issuing receipts, within the reach of anybody who can read and write and knows the first four rules of arithmetic."

With this piece of cretinism Trotsky doubtless agreed. And why wouldn't he? Lenin, Trotsky, and the rest had all their lives been professional revolutionaries, with no connection at all to the process of production and, except for Bukharin, little interest in the real workings of an economic system. Their concerns had been the strategy and tactics of revolution and the perpetual, monkish exegesis of the holy books of Marxism. The nitty-gritty of how an economic system *functions*—how, in our world, men and women work, produce, exchange, and *survive*—was something from which they prudishly averted their eyes, as pertaining to the nether regions. These "materialists" and "scientific socialists" lived in a mental world where understanding Hegel, Feuerbach, and the hideousness of Eugen Duehring's philosophical errors was infinitely more important than understanding what might be the meaning of a price. Of the actual operations of social production and exchange they had about the same appreciation as John Henry Newman or, indeed, St. Bernard of Clairvaux. This is a common enough circumstance among intellectuals; the tragedy here is that the Bolsheviks came to rule over millions of real workers, real peasants, and real businessmen.

Howe puts the matter rather too sweetly: once in power, he says, Trotsky "was trying to think his way through difficulties no Russian Marxist had quite foreseen." And what did the brilliant intellectual propose as a solution to the problems Russia now faced? "In December 1919 Trotsky put forward a series of 'theses' [sic] before the party's Central Committee in which he argued for compulsory work and labor armies ruled through military discipline. . . ."

So—forced labor, and not just for political opponents, but for *the Russian working class*. Let Daniel and Gabriel Cohn-Bendit, the left-anarchists from the May days of 1968 in Paris, take up the argument:

"Was it so true," Trotsky asked, "that compulsory labor was always unproductive?" He denounced this view as "wretched and miserable liberal prejudice," learnedly pointing out that "chattel slavery, too, was productive"—and that compulsory serf labor was in its times "a progressive phenomenon." He told the unions [at the Third Congress of Trade Unions] that "coercion, regimentation, and militarization of labor were no mere emergency measures and that the workers' State *normally* had the right to coerce *any* citizen to perform *any* work at *any* place of its choosing."

And why not? Hadn't Marx and Engels, in their ten point program for revolutionary government in *The Communist Manifesto,* demanded, as point eight: "Equal liability for all to labor. Establishment of industrial armies, especially for agriculture"? Neither Marx nor Engels ever disavowed their claim that those in charge of "the workers' state" had the right to enslave the workers and peasants whenever the need might arise. Now, having annihilated the hated market, the Bolsheviks found that the need for enslavement had, indeed, arisen. And of all the Bolshevik leaders, the most ardent and aggressive advocate of forced labor was Leon Trotsky.

There are other areas in which Howe's critique of Trotsky is not penetrating enough, in which it turns out to be altogether too soft-focused and oblique. For instance, he taxes Trotsky with certain philosophical contradictions stemming from the latter's belief in "historical materialism." All through his life, Howe asserts, Trotsky employed "moral criteria by no means simply derived from or reducible to class interest. He would speak of honor, courage, and truth as if these were known constants, for somewhere in the orthodox Marxist there survived a streak of nineteenth-century Russian ethicism,

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earnest and romantic."

Let us leave aside the silly implication that there is something "romantic" about belief in ethical values, as against the "scientific" character of orthodox Marxism: in this passage, Howe seems to be saying that adherence to certain commonly-accepted values is, among Marxists, a rare kind of atavism on Trotsky's part. Not at all. *Of course* historical materialism dismisses ethical rules as nothing more than the "expression," or reflection," or whatever, of "underlying class relationships" and, ultimately, of "the material productive forces." But no Marxist has ever taken this seriously, except as pretext for *breaking* ethical rules (as when Lenin and Trotsky argued in justification of their terror). Even Marx and Engels, in their Inaugural Address of the First International, wrote that the International's foreign policy would be to "vindicate the simple laws of morals and justice [sic] which ought to govern the relations of private individuals, as the laws paramont of the intercourse of nations." That Trotsky admired honor, courage, and truth is not something that cries out for explanation by reference to some Russian tradition of "ethicism" (whatever that might be). The admiration of those values is a part of the common heritage of us all. To think that there is a problem here that needs explaining is to take "historical materialism" much too seriously to begin with.

Similarly with other contradictions Howe thinks he has discovered between Trotsky's Marxist philosophy and certain statements Trotsky made in commenting on real political events. Of the Bolshevik Revolution itself, Trotsky says that it would have taken place even if he had not been in Petrograd, "on condition that Lenin was present and in command." Howe asks, "What happens to historical materialism?" The point Howe is making, of course, is that in the Marxist view, individuals are not allowed to play any critical role in shaping really important historical events, let alone in determining whether or not they occur.

But the answer to Howe's question is that, when Trotsky commits a blunder like this, *nothing* happens. Nothing happens, because "historical materialism" was pretentious nonsense from the beginning, a political strategy rather than a philosophical position.

Occasionally, in daubing in some of the light patches that are intended to make up for the dark ones in Trotsky's life, Howe comes perilously close to slipping into a fantasy world. he says that in the struggle with Stalin, Trotsky was at a disadvantage, because he "fought on the terrain of the enemy, accepting the damaging assumption of a Bolshevik monopoly of power." But why is this assumption located on the *enemy's* terrain? Trotsky *shared* that view with Stalin. He no more believed that a supporter of capitalism had a right to propagate his ideas than a medieval inquisitor believed in a witch's right to her own personal lifestyle. And as for the rights even of other socialists—Trotsky in 1921 had led the attack on the Kronstadt rebels, who merely demanded freedom for socialists other than the Bolsheviks. At the time, Trotsky boasted that the rebels would be shot "like partridges"—as, pursuant to his orders, they were.

Howe even stoops to trying a touch of pathos. In sketching the tactics Stalin used in the struggle with Trotsky, he speaks of "the organized harassment to which Trotskyist leaders, distinguished Old Bolsheviks, were subjected by hooligans in the employ of the party apparatus, the severe threats made against all dissidents within the party . . ." Really now—is it political violence used against *Leon Trotsky* and his "distinguished" followers that is supposed to make our blood run cold? No: if there was ever a satisfying case of poetic justice, the "harassment" and "persecution" of Trotsky—down to and including the ice ax incident—is surely it.

The best example of Howe's strange gentleness toward Trotsky I have saved for the last. What, when all is said and done, was Trotsky's picture of the Communist society of the future? Howe does quote from Trotsky's *Literature and Revolution* the famous, and ridiculous, last lines: "The average human type [Trotsky wrote] will rise to the heights of an Aristotle, a Goethe, or a Marx. And above this ridge new peaks will rise."

He doesn't, however, tell us what precedes these lines—Trotsky's sketch of the future society, his passionate dream. Under Communism, Trotsky states, Man will

> reconstruct society and himself in accord with his own plan . . . The imperceptible, ant-like piling up of quarters and streets, brick by brick, from generation to generation, will give way to the titanic construction of city-villages, with map and compass in hand. . . . Communist life will not be formed blindly, like coral islands, but will be built up consciously, will be erected and corrected. . . . Even purely physiologic life will become subject to collective experiments. The human species, the coagulated homo sapiens, will once more enter into a state of radical transformation, and, in his own hands, will become an object of the most complicated methods of artificial selection and psycho-physical training. . . . [It will be] possible to reconstruct fundamentally the traditional family life. . . . The human race will not have ceased to crawl on all fours before God, kings and capital, in order later to submit humbly before the laws of heredity and blind sexual selection! . . . Man will make it his purpose . . . to create a higher social biological type, or, if you please, a superman.

"*Man* . . . *his* own plan . . . *his* purpose . . . *his* own hands." When Trotsky promoted the formation of worker-slave armies in industry, he believed that his own will was the will of Proletarian Man. It is easy to guess whose will would stand in for that of Communist Man when the time came to direct the collective experiments on the physiological life, the complicated methods of artificial selection and psycho-physiological training, the reconstruction of the traditional family, the substitution of "something else" for blind sexual selection in the reproduction of human beings, and the creation of the superman.

This, then, is Trotsky's final goal: a world where mankind is "free" in the sense that Marxism understands the term—where all of human life, starting from the economic, but going on to embrace everything, even the most private and intimate parts of human existence—is consciously *planned* by "society," which is assumed to have a single will. And it is *this*—this disgusting positivist nightmare—that, for him, made all the enslavement and killings *acceptable*! Surely, this was another dirty little secret that Howe had an obligation to let us in on.

Howe ends by saying of Trotsky that "the example of his energy and heroism is likely to grip the imagination of generations to come," adding that, "even those of us who cannot

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heed his word may recognize that Leon Trotsky, in his power and his fall, is one of the titans of our century."

This is the kind of writing that covers the great issues of right and wrong in human affairs with a blanket of historicist snow. The fact is that Trotsky used his talents to take power in order to impose his willful dream—the abolition of the market, private property, and the bourgeoisie. His actions brought untold misery and death to his country. Yet, to the end of his life, he tried in every way he could to bring the Marxist revolution to other peoples—to the French, the Germans, the Italians—with what probable consequences, he, better than anyone else, had reason to know. He was a champion of thought-control, prison camps, and the firing squad for his opponents, and of forced labor for ordinary, non-brilliant working people. He openly defended chattel slavery—which, even in our century, must surely put him into a quite select company.

He was an intellectual who never asked himself such a simple question as: "What reason do I have to believe that the economic condition of workers under socialism will be better than under capitalism?" To the last, he never permitted himself to glimpse the possibility that the bloody, bureaucratic tyranny over which Stalin presided might never have come into existence but for his own efforts.

A hero? Well, no thank you—I'll find my own heroes somewhere else. A titan of the twentieth century? In a sense, yes. At least Leon Trotsky shares with the other "titans" of our century this characteristic: it would have been better if he had never been born.

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Spies and counterspies

JACK SHAFER

Spooks: The Haunting of America—the Private Use of Secret Agents *by Jim Hougan. William Morrow and Company, 478 pp., $12.95*

THAT THERE ARE TWO histories in this country, one sanitized and official, and the other tainted and secret, comes as no surprise to students of revisionism. Jim Hougan, *Harper's* magazine's Washington editor, has immersed himself in four years of the modern intelligence milieu and come up with the secret history of post-WWII *spooks*, the tens of thousands of ex federal intelligence agents from the CIA, FBI, IRS, DEA, NSA, ACC, Army, Navy, Air Force, and Treasury Departments, who have fallen into the employ of the multinational corporations and the wealthy.

Hougan finds spooks working for McDonald's hamburgers as well as ITT, working as independent contractors and salaried corporation men. Spooks wiretap, perform black-bag jobs, authenticate documents, construct security systems to ward off enemy missions, do background checks, infiltrate competitors, ferret out intelligence, and commit acts of sabotage. And, if you pay the price they will even overthrow a foreign government or perform a "wet job" (murder) for you.

To understand better the spook concept we should study the career of prototypical spook, James O. Golden. Ex-Marine interrogator and degreed criminologist, Golden joined the Secret Service in 1958, drawing duty on the Vice-President Nixon detail. Golden struck up a personal relationship with Nixon and left the S.S. shortly after the 1960 election. After two years' tenure at the General Mills Corporation he spent three years in the Philippines spooking for their government and ours. 1965 returned him to private service at Lockheed's Washington headquarters as "International Representative". In 1968 Golden returned to the Nixon payroll as staff security chief for the campaign. After the inauguration he hired on to Resorts International, the gambling firm, as deputy director of security, and then was placed as vice-president of Resorts's newly founded spook company, International Intelligence, Inc. (Intertel). In 1972 Golden joined Howard Hughes's Summa Corporation and arranged for Hughes's entry into dictator Somoza's Nicaragua. Now Golden is back at the government's disposal, working in intelligence at the Law Enforcement Assistance Administration (LEAA).

It is clear that spooks like Golden traverse the same revolving door as the George Balls, Clark Cliffords, and Cyrus Vances of the diplomatic levels of government. The speed of the spin through the door blurs the line between business and the state, creating an intelligence establishment that is both public and private. Acting in official capacity one day, they pack their bags and sell their skills, knowledge, and government contacts on the market the next. And sometimes the purchaser of the skills is the government itself. Thus, former government spooks like Robert Maheu set up private spook companies and handle "impossible missions" for the CIA, missions which both violate the CIA charter and provide the Company with deniability in case the mission fouls up. One such mission found Maheu as the producer of a porno film starring a Marshal Tito double and a female KGB agent look-alike romping in the nude. Other times Maheu's organization pimped for the CIA, providing women for the likes of Hussein and Sukarno, and along with Howard Hughes, covered for the CIA's Glomar Explorer project, which scooped a Russian submarine off the ocean floor.

Much of *Spooks* documents the use of private agencies by the multinationals to evade state power.

agencies by the multinationals to evade state power.

Howard Hughes, dissatisfied with the extent of his hold over the fawning Governor, Senators, and Congressmen of Nevada, commissioned Maheu to seek out the Bahamas as an offshore headquarters. Hughes directed Maheu to "wrap that government up down there to a point where it could be—well, a captive entity in every way." *Spooks* abounds with examples of such purchased political power. Hampered by anti-trust, taxation, securities laws, other state regulations, and "morality laws" (gambling, drugs, etc.) the offshore motif attracted Robert Vesco to Costa Rica, Bernie Cornfeld to Switzerland, and multinational firms such as ITT, Resorts International, Gulf, Lockheed, and organized crime to other ports outside the control of the U.S. Government. What the spooks provided was the expertise and connections needed to reach these retreats. Doubtless, not much salesmanship was required.

Though Hughes never succeeded in wrapping up the Bahamas, the idea of "owning" a state dawned on others. In recounting Michael Oliver's Republic of Minerva fiasco, Hougan will win no love among libertarians by referring to Ludwig Von Mises as a "crank economist", or by mistakenly calling Ayn Rand's philosophy "positivism", but the remainder of his reportage is fair. Oliver, you remember, claimed a coral rock almost three hundred miles east of the Tonga group in an attempt to create a "libertarian state". King Taufa'ahau of

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Tonga quickly expelled him. Undaunted, Oliver set his sights on Abaco, a 300,000 acre Bahaman island, and enlisted the skills of spook Mitch WerBell, the self-styled "world's greatest secret agent," OSS veteran, mercenary, gun-runner, munitions industrialist, and inventor. The revolution in Abaco went askew for various reasons, but the Man Who Would Be King desire still burns hot in the hearts of spooks and their clients.

WerBell also figures prominently in the story of the Ingram submachine pistol, a weapon most will recognize from movies like *Three Days of the Condor* and *McQ*. The Ingram M-11, coupled with a silencer of WerBell's invention, is capable of firing 850 near-silent rounds per minute of .380-caliber subsonic ammo, making it the perfect clandestine weapon. WerBell and his business partners figured the U.S. Government as the ideal customer for the Ingram, expecting it to replace the .45 in support of the M-16. SWAT teams, Third Worlders, and revolutionaries such as Michael Oliver would buy them by the hundreds, reasoned WerBell and his associates, making the market very bullish. Surprisingly, the Government passed on the offer, and no LEAA money procured the deadly pistols for police departments. WerBell saw this as a Catch-22 situation; the government, awed by the efficiency of the Ingrams, feared they might fall into the wrong hands. Chafing under the state's watchful eye, WerBell took the manufacture of the Ingrams offshore.

The Kennedy—Hoffa battles of the '50s and '60s are also viewed in the spook paradigm. Hougan presents Teamster President James Hoffa as an employer of minor hoods and unethical user of pension funds for personal gain. It took "the Kennedy vendetta" to provoke him to commit bribery, wiretapping, and perjury as a defensive move against Kennedy's spook army led by NSA and FBI alumnus Walter Sheridan. As Hougan puts it,

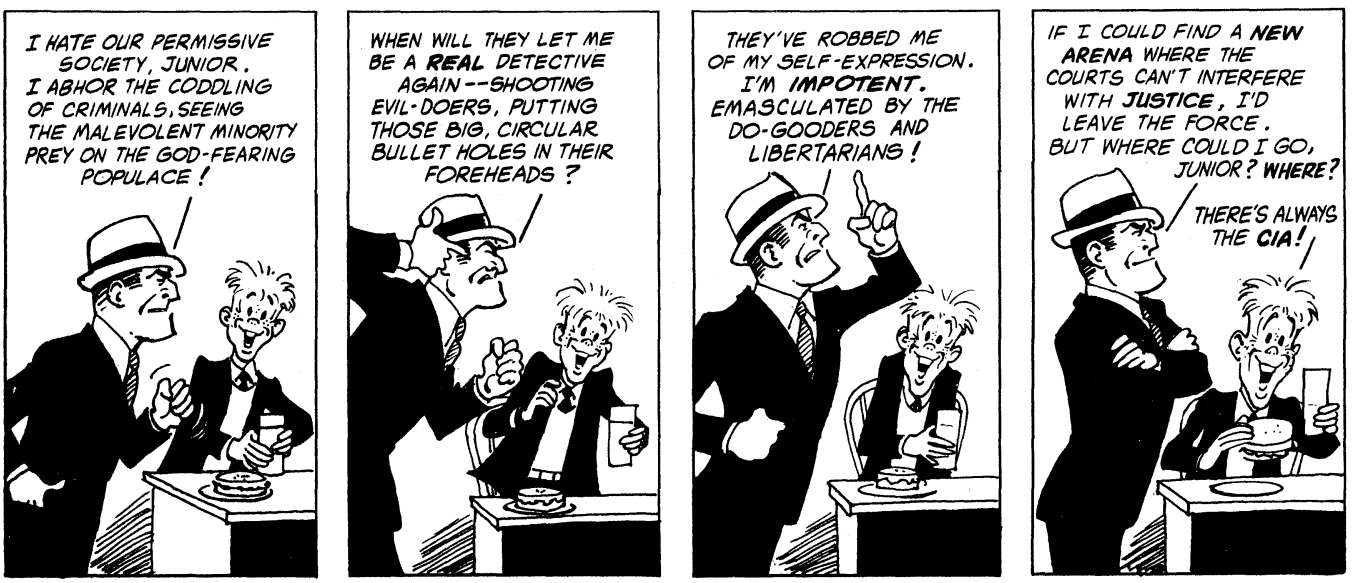
> There is a degree of scrutiny that no one can survive, no matter how ethical and honest he might be. (Hoffa, of course, was neither.) The slightest deviation in one's testimony before a never-ending succession of grand juries becomes, in the absence of governmental good faith, *perjury*. The slightest error in computing one's income tax becomes *tax evasion*. An offhanded remark to a friend is interpreted as a *conspiracy* to *bribe*. The purchase of tape recorders preted as a *conspiracy* to *bribe*. The purchase of tape recorders for the purpose of recording union meetings is evidence of *wiretapping*.

Hougan apparently doesn't appreciate that this legal code arises by *design*, that in order to screw one's enemies effectively the state must constantly change the rules of the game. In this context the war between Kennedy and Hoffa escalated as Hoffa's only hope for justice was to counter government spooks with his own.

Elsewhere in *Spooks*, we learn of the DEA proposed "final solution" for international drug market kingpins and how the CIA, who counted among these same kingpins some of their best agents, neutralized the plan. The National Intelligence Academy, a sort of spook grad school, is profiled; and the Nixon-Burger plot against Onassis at the behest of the Seven Oil Sisters, and the possibility of the existence of Marilyn Monroe-Robert Kennedy tapes commissioned by Hoffa, are explored. Other evidence is presented to support the theories that Bernie Cornfeld's international network of IOS salesmen provided cover for CIA agents and that the mob was contracting the CIA to kill Castro, not the other way around as is commonly believed.

Some of *Spooks's* best writing revolves around the intelligence-company-for-hire, Intertel. Staffed by veterans of Kennedy's Justice Department days and owned by Nixon Republicans, Intertel does work for foreign and domestic clients, mainly those in Fortune's 1,000 group, and scrupulously avoids political work. Intertel participated in the Thanksgiving coup of 1970 at the Hughes-run casinos in Las Vegas, worked undercover for GM during the Lordstown wildcat strike, and attempted to discredit Jack Anderson for ITT during the Dita Beard scandal. Intertel counts among its clients Henry Ford, *The New York Times*, Detroit (for whom it designed airport security), Rhode Island, and IBM. If Hougan is contemplating a sequel to *Spooks*, an entire book on the Intertel organization would be superb.

From the introduction on, Hougan shades his story with the fear of the "haunting of America" by those paladin agents. He worries that the neutrality of government will be compromised by commercial intelligence activities and foresees the emergence of an industrial totalitarianism as a result of their dirty work. A more astute observer of American history would recognize that government has *never* been neutral, precisely because the power the state wields invites takeover. The corporate state and Banana Republics have been with us for over a century, and spymasters abound in history. That state power breeds greater criminality, a la the Hoffa ex-


I HATE OUR PERMISSIVE SOCIETY, JUNIOR. I ABHOR THE CODDLING OF CRIMINALS, SEEING THE MALEVOLENT MINORITY PREY ON THE GOD-FEARING POPULACE!
WHEN WILL THEY LET ME BE A REAL DETECTIVE AGAIN--SHOOTING EVIL-DOERS, PUTTING THOSE BIG, CIRCULAR BULLET HOLES IN THEIR FOREHEADS?
THEY'VE ROBBED ME OF MY SELF-EXPRESSION. I'M IMPOTENT. EMASCULATED BY THE DO-GOODERS AND LIBERTARIANS!
IF I COULD FIND A NEW ARENA WHERE THE COURTS CAN'T INTERFERE WITH JUSTICE, I'D LEAVE THE FORCE. BUT WHERE COULD I GO, JUNIOR? WHERE?
THERE'S ALWAYS THE CIA!

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ample, and any effort to force the private intelligence establishment further underground only makes matters worse should cause Hougan to reconsider his "Domestic Agents Registration Act" proposal. Indeed, in a September 8, 1978 interview in the Los Angeles *Herald Examiner*, he seems already to have recanted this position: "Congress will never do it [pass a Domestic Agents Registration Act] because the people who hire spooks, and the spooks themselves, are too influential. But the press will get on their case because there are a lot of good stories out there."

Spooks is an exhaustively researched, literate map of the intelligence universe. An excellent companion to Carl Oglesby's *The Yankee and Cowboy War, Spooks* is as factual as *Yankee* is speculative. This is revisionist history at its best in a field not even the court historian dares tread because of secrecy. It is the best spy book, fiction included, I have ever read.

Jack Shafer is a struggling screen writer in Los Angeles.

Abortion: the regulars, the irregulars, and the ambivalent

SHARON PRESLEY

Abortion in America: The Origins and Evolution of National Policy, 1800–1900 *by James C. Mohr. Oxford University Press, 328 pp., $12.50.*
The Ambivalence of Abortion *by Linda Bird Francke. Random House, 257 pp., $10.*

THE OSTENTIVE RATIONALE for a law, as libertarians well know, is not always the real reason for its existence. We know, for example, that the commonly accepted notion that anti-trust laws came about as a public reaction to the "excesses" of monopoly capitalism is historically false. As Gabriel Kolko has shown in *The Triumph of Conservatism,* many anti-trust laws an government regulations were instigated by certain business interests who, unable to get their monopolies in an open market, sought government protection for their anti-market practices.

Many people likewise naively assume that anti-abortion legislation came about because of public demand, because the cultural and religious climate of the day was opposed to abortion. In *Abortion in America*, a new and important work of revisionist history, James C. Mohr destroys this myth. In a meticulously documented study of abortion legislation in the 19th century, Mohr demonstrates that anti-abortion laws were, in fact, primarily the result of manipulation by physicians and the fledgling American Medical Association for their own special purposes.

Carefully searching both the secular and religious literature, Mohr finds no evidence to indicate any substantial outcry for anti-abortion activity in the early 19th century. Ads with thinly veiled references to abortificients were, in fact, extremely common in the newspapers, journals, and even religious magazines of the time.

In 1800, furthermore, there were *no statutes whatsoever* in the U.S. on the subject of abortion. The legal status of abortion was entirely governed by common law. Mohr makes a serious error in historical fact at this point, however, when he claims that under common law abortion became a crime after "quickening", that is, after the woman first detected fetal movement, which usually occurs in the late fourth or early fifth month of pregnancy. There is no dispute that abortion was not considered a crime until 1850, but Mohr has overlooked recent scholarship which indicates that the common law actually did not penalize abortion *at any stage of pregnancy.* Mohr is not alone in this mistake. Like most other writers on the subject, even including the U.S. Supreme Court, he has based his conclusions on a 1968 article by Cyril C. Means, Jr. which cites the quickening criterion. For unclear reasons, Mohr and most others appear not to have read Means's later article of 1971, a more careful investigation which provides evidence that the common law was totally *laissez faire* in its attitude toward abortion. [The articles by Cyril Means are:"The Laws of New York Concerning Abortion and the Status of the Fetus, 1664-1968" in 14 *New York Law Forum* 411 (2968), and "The Phoenix of Abortion Freedom," in 17 *New York Law Forum* 335 (1871)].

But this regrettable error aside, there is very little else Mohr misses. He goes on to examine in exhaustive detail the several waves of anti-abortion activity and legislation which occurred throughout the 19th century and how they came about. "The first wave of abortion legislation in American history," he writes, "emerged from the struggles of both legislators and physicians to control medical practice rather than from public pressures to deal with abortion per se." Later, as the medical profession became more organized, and the AMA, founded in 1847, became stronger, the pressure from physicians would become even greater and more effective.

Two major sets of factors— professional and personal—are cited by Mohr as reasons for the persistent crusade by physicians.

Physicians in the 19th century, it seems, were not so different from businessmen—because one of the major reasons for their crusade was fear of competition! In the early part of the century, medical practitioners called "irregulars" (because they had not attended medical school) were free to sell their services. The "regular" physicians—those who *had* graduated from medical school—resented the competition from the irregulars. Because many of the irregulars were abortionists and the physicians were openly jealous of the handsome fees they collected, the issue of abortion provided a particularly good method of attack. "By raising the abortion question and by highlighting the abuses and dangers associated with abortion," says Mohr, "regular physicians could encourage the state to deploy its sanctions against competitors." However, the alleged danger was, according to Mohr, merely an excuse, since the evidence suggests that abortion was not as dangerous as the regulars claimed.

The irregulars were also an offense to the regulars' growing sense of professionalism. Since anyone could practice medicine, expulsion from a medical society was no threat. "An anti-abortion law," the regulars reasoned, "would lend public sanction to the professional efforts at disciplining their own organization." The greatest champions of the anti-abortion crusade, Mohr points out, were also in the forefront of the drive for professionalization of medicine.

Also playing a part in the physicians' anti-abortion stance was the desire for status. The wish to recap-

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ture what they considered to be their ancient and rightful place among social policy makers and savants, suggests Mohr, was an important motivating factor during this era when physicians had fallen into low repute.

There was, however, a sincere belief on the part of most physicians that abortion was morally wrong. But because of public indifference, says Mohr, "it was apparent to physicians that the only way to deal with this question of basic morality was to see that their position was embodied in explicit statutes of their own design." Lobbying became a "holy war" for many physicians; and, as Mohr puts it, "the theme of saving America from itself was a common leitmotif throughout the medical campaign against abortion after 1860."

A second personal reason why physicians fought so hard for anti-abortion laws was what Mohr calls "blatant nativism." Most physicians were white, native-born Protestants and so were most of the women obtaining abortions. Fearing that "the ignorant, the low-lived and the alien," as one regular put it, would take over the native population, the physicians writing about abortion in the medical journals laid heavy stress on the problem of declining birthrates among the native-born. "There can be little doubt," concludes Mohr, "that Protestants' fear about not keeping up with the reproductive rates of Catholic immigrants played a greater role in the drive for anti-abortion laws in 19th century America than Catholic opposition to abortion did."

A third and equally unflattering personal reason for the physicians' opposition to abortion was what Mohr calls the "fear of being betrayed by their own women." Regular physicians," writes Mohr, "were among the most defensive groups in the country on the subject of changing traditional sex roles." Many physicians, including those most active in the anti-abortion crusade, were extremely conservative in their views of the social role of women, believing that woman's place was in the home producing children. Abortion interfered with this grand design. Not surprisingly, most physicians also fought the entry of women into the regular ranks of medicine.

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"The origins and evolution of anti-abortion attitudes in the United States," writes James C. Mohr in *Abortion in America*, "owed relatively little to the influence or activities of organized religion."

Organized support for the anti-abortion campaign outside the ranks of regular physicians was limited. Contrary to what might be expected, the clergy were not strong supporters of the drive. During the first half of the 19th century, Protestant and Catholic clergy alike, were largely silent on the issue of abortion; even the propaganda campaign launched by the physicians in the later 1850s brought a disappointingly small response from religious quarters. "The origins and evolution of anti-abortion attitudes in the United States," concludes Mohr, "owed relatively little to the influence or the activities of organized religion."

The major outside support for the physicians' campaign came instead from the anti-obscenity crusaders. In 1873, the infamous Comstock law, "An Act for the Suppression of Trade in or Circulation of Obscene Literature and Articles of Immoral Use," was passed. As a result of this law, it became a federal offense to sell "any article of medicine . . . causing abortion, except on a prescription of a *physician in good standing*." (my italics)

A cozy law indeed for the regulars. The Comstock law, it should also be noted, marked a major turning point in anti-contraception legislation, thus creating a nice Catch-22.

The pressure for anti-abortion legislation was kept up until the 1880s and 1890s, when, according to Mohr, "cooperative licensing laws finally brought an end to the era of laissez faire medicine in America." With the decreasing numbers of irregulars and the increasing strength of the regulars, it was no longer necessary to harass the irregulars through anti-abortion activities. The regulars could turn instead to working for outright licensing laws. The result of these trends was to freeze abortion policy at the point it had reached in 1880. Since the regular physicians were well on their way to almost complete control of medicine, there would be no relaxation of the abortion laws for many years.

Ironically, as Mohr points out, the picture among physicians today is reversed. "By 1967, according to a survey conducted

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by *Modern Medicine* magazine," he writes "some 87 per cent of American physicians favored a liberalization of the country's anti-abortion policies."

Current attitudes that favor liberalization of laws and even call for complete abolition of abortion laws are, in light of Mohr's study, neither radical nor new, as many anti-abortion activists would have us believe. Such views are instead a return to a traditional laissez faire attitude that had existed for many years of America's history. Ironically again, it is the anti-abortion activists who are breaking step with tradition. Many of the views of current anti-abortionists have little or no legal precedent. The view, for example that the fetus is a *person* has never been part of even the most stringent law. Nor is the view of the woman as killer one that has ever gained much favor. Indeed, the woman has rarely been subject to legal sanctions at all. The morality of a particular position cannot, of course, be decided by reference to history, but judicial rulings have always been influenced by legal precedent. For those who believe that the choice of abortion should be a matter of individual conscience and do not believe that the State should intervene, it is important to note that the weight of legal precedent and social conviction is on the side of such *laissez faire*.

Mohr's dry, careful, scholarly tone is in sharp contrast to the anecdoctal, highly emotional style of Linda Bird Francke's *The Ambivalence of Abortion*. Consisting primarily of interviews, the book reports the reactions and feelings of a wide variety of individuals involved in abortions: women and men, married and unmarried, teenagers, young adults and older women.

Francke opens by describing the decision to terminate her own pregnancy and her attempts to cope with the subsequent ambivalent feelings engendered by the abortion. Her ambivalence led her in 1976 to write an essay which was published pseudonymously on the Op Ed page of the *New York Times*. "Though I would march myself into blisters for a woman's right to exercise the option of motherhood," she wrote in the *Times* article, "I discovered there in the waiting room that I was not the modern woman I thought I was."

When Francke learned that she was unexpectedly pregnant, she and her husband decided that the timing was all wrong. He was about to switch careers; she had just taken on a desirable full time job; they had three children already. There was no room for another child. "And it certainly made sense not having a baby right now—we say that to each other all the time," she concluded her essay.

> But I have this ghost now. A very little ghost that only appears when I'm seeing something beautiful, like the full moon on the ocean last weekend. And the baby waves at me. And I wave at the baby. "Of course we have room," I cry to the ghost. "Of course we do."

The maudlin, guilt-ridden tone of this conclusion is the first clue to the *real* message of the book. Though Francke claims that she wants to comfort both those who feel guilty about having an abortion and those who don't, by showing that others have their feelings, it soon becomes apparent that she has tailored her choice of anecdotes to convey the idea that most people are like her—with mixed feelings. Not only do the great majority of the people reported express some kind of ambivalence, those few who express little or no reservations tend to be unpleasant sorts—cavalier, frivolous, or not too bright. The hidden implication is that serious, sensitive people will, of course, feel ambivalent about abortion. Like Magda Denes in her 1976 book, *In Necessity and Sorrow: Life in an Abortion Hospital*, Francke seems to be saying: Yes, abortion is OK—as long as you feel guilty about it.

But, one could reasonably object at this point, maybe most women do feel ambivalent. How do we know that Francke's reporting is lopsided? Though Francke doesn't claim that she conducted a scientific survey, she doesn't even present any evidence that her reporting is objective, much less representative. We are not told how she collected her sample, how many people were interviewed, how she decided which interviews to report, or what the social and demographic characteristics of her sample were.

There is, however, reliable evidence which suggests that Francke's views are *not* shared by most women who obtain abortions. Henry P. David, Director of the Transactional Family Research Institute, clinical professor of psychiatry, and a person highly respected in the field, has pointed out that

> research findings and clinical experience confirm that some feelings of loss, sadness, guilt and regret are frequently observed in women who undergo abortions, but these feelings tend to be shortlived, seldom lasting more than a few hours or days. Only a small number of women report the six months of grief and sadness, the haunting by "little ghosts," or the communication with imaginary babies experienced by Francke . . . Most commonly, the decision to terminate an unwanted pregnancy represents a healthy coping with reality, a maturing experience culminating in feelings of relief, without the psychological scarring that makes for dramatic reporting.

[See "Abortion: A continuing Debate," in *Family Planning Perspectives*, September-October 1978.]

The question of representativeness aside, a close look at the interviews reveals that a great deal more than ambivalence about abortion *per se* is being expressed here. What Francke fails to draw attention to is the complexity of the ambivalent feelings reported—as much about sex, sexuality and sex roles as about abortion. The devastating effect that the irrational, puritan and sexist ideas pervading our not really so civilized society have on many individuals is illustrated in these interviews with depressing clarity.

Many of the women (including Francke), for example, were not using any kind of contraceptive method at the time of intercourse. In some cases, especially with the teenagers, this lack was due to ignorance and misinformation. "They think the IUD will cause infection or cramps, or even get out of their uteruses and wander around their bodies," reports a nurse who works for Planned Parenthood.

But in a fair number of cases reported, the reasons for not using contraception were even more irresponsible and irrational. "I didn't see any need for birth control because it was something I didn't do very often," said one teenager. Some of the women were intentionally, if not consciously, irresponsible. "This time," reports one single woman, "I was totally irresponsible about birth control. It was like I was just waiting to be punished." Some used their pregnancies as ways to manipulate their husbands

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or lovers. Others, victims of social sex role stereotyping, wanted to prove their "femininity" by showing that they could become pregnant.

Many of the men interviewed had similarly irrational ideas and cultural hangups. Some, needing to prove their masculinity," were relieved to discover that they could father a child. Others, Francke's husband included, agonized over the possibilitiy that the aborted fetus might have been a boy. (No one reported the fear that they might have lost a girl.) "If it could have been a boy, I would have said I very much wanted the child," revealed one husband. "If she had insisted on an abortion anyway, I would have been very upset and fought to have the child."

By failing to acknowledge the significance of these other attitudes surrounding abortion, Francke does a disservice to a subject which is far more complex than she is willing to admit. It is not just guilt that causes emotional problems but irrational attitudes about sex and sex roles. If they were to change, there might be considerably less ambivalence about abortion or, better yet, far fewer abortions necessary in the first place.

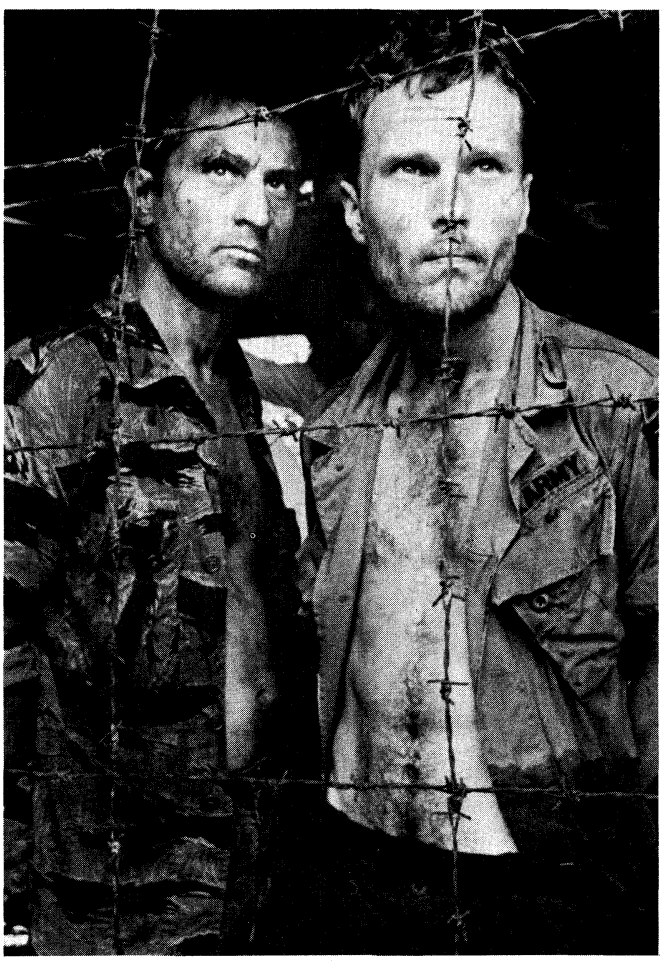
So eager is Francke to grind her own ax that she also fails to do justice to the full range of responses to abortion. She wants to concentrate on the agony and thus loses sight of the "healthy coping" and "maturing experience" cited by David. "It is time," David concluded in that review, "to move the focus of debate from adversity to successful coping, from dysfunction to healthy functioning in the face of stress, and to recognize unintended pregnancy as a dilemma that each couple, or woman, must be free to resolve."

Abortion in America is, I think, of far more value to libertarians than the shallow treatment in *The Ambivalence of Abortion*. There is quite enough muddled thinking in the libertarian camp already—on both sides of this issue—without adding more. Articles like Walter Block's "Toward a Libertarian Theory of Abortion" (which claims to be pro-abortion but is, in fact, anti-abortion) and inappropriate pro-abortion arguments like the one using the "trespassing" analogy have only helped to create an unfortunate fog of confusion. There needs to be a more intelligent and thoughtful discussion of this important issue in the libertarian community. *Abortion in America* adds a useful historical perspective to that discussion. *The Ambivalence of Abortion* adds little of substance.

On View

Hell in a familiar place

DAVID BRUDNOY



THE DEER HUNTER invites those who stay with it for its full three hours to witness not only the most excruciatingly realistic scenes of wartime atrocity in recent cinema but also the most devastating appraisal of the American character, and America's mores, of any but a handful of films made during this decade. It is a movie of such brilliance, such power, such frightening acuity, and, shimmering just below its surface, of such savage perceptiveness about the weakness in our national experience, that it should prove unbearable to anybody who still delights in the fantasy that the American *government* and the American *people* are one and the same. It is a film that, once seen, cannot be forgotten; but if seen by the masses who should see it but may fear to, it will leave the viewer significantly changed both about what we expect a movie to be and do, and about what we think our country is or ought to be.

Almost every important, long American war has received its just cinema due, its hymns of praise, its debunkings, its trite and trashy as well as its sensitive and memorable treatments. Before television, wars "lived," in a sense, only on the movie screens—that is, lived for those who didn't endure them first-hand. World War II came home to America in literally hundreds of films, and even the Korean War (for all that it ended in a draw and had nowhere near the crusading fervor of the war against fascism, or the war to end all wars that preceded the war against fascism) received its cinematic homage in several dozen films.

But the Vietnam War came into our homes every night on TV. The "advisors" dispatched by John F. Kennedy quickly turned into an endless stream of GIs, always with that light at the end of the tunnel just up ahead, always with the promises from the leaders that a few tens of thousands of troops added to those we had, a few billion dollars more to chase after the last few billion dollars, a few more months, would do the trick. It worked out rather differently, of course. America withdrew in something dubbed a "peace with honor" by the con artist then in the White House, this neat phrase masking what was actually an ignominious retreat followed by a catastrophic rout and the capitulation of the whole of the country to

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the Northerners. "Our" Saigon became "their" Ho Chi Minh City. And in its wake the Vietnam debacle left a fanaticized regime in Cambodia, the horrors of which have finally been acknowledged by even the most blinkered idealists, such that some of those who most despised the communist Vietnamese found themselves, just recently, secretly or not so secretly cheering them on as *they* made their own "incursions" into Cambodia.

But the movies have made little of Vietnam. John Wayne tried the glory route in his *Green Berets,* almost the sole cinema version of the conflict to picture it in that neat black and white version our World War II films made so familiar. More recently we have seen *The Boys in Company C,* notable mainly for its remarkable depiction of boot camp training, after which the movie dribbled away its initial power in a fairly stock treatment of the boys once they hit 'Nam. Jane Fonda and Jon Voight turned in splendid performances in *Coming Home,* remarkable also, this time for its sympathetic, compassionate examination of the casualties of war, though marred by a hamfisted anti-war mentality that made seeing the picture all too easy for "doves" and almost impossible for whatever remains of the "hawk" mentality.

There have been a few other films, including, recently, *Who'll Stop the Rain,* which touched the War only to set up the dramatic silliness once the movie returned its characters to the States; and *Here Come the Spartans,* with Burt Lancaster, a throwaway item too quickly into most towns, and too soon out: cheaply made but deserving more attention than it got or will likely ever get. And one day soon, we're promised, as we've been promised this for nearly two years, Francis Ford Coppola's *Apocalypse Now,* that lumbering giant, will make its appearance. In the meantime, and unless Coppola's film can live up to the expectations many hold for it, Michael Cimino's *Deer Hunter* is *the* Vietnam era film. And so much more even than that.

Cimino, who wrote the story with Deric Washburn and Louis Garfinkle, has directed only one previous movie, a pleasant Clint Eastwood "road" picture called *Thunderbolt and Lightfoot.* He is thirty-seven years old, he has studied the best work of our times and in some ways copied the best workers in his profession, and he has succeeded in a monumental battle with EMI, the English-based company that put all the expectable obstacles in the way of a man determined to tell his story his way, and which, to its credit, finally gave the young director an almost free hand to do it his way. They got him the bankable star such an expensive venture demanded, Robert De Niro, just the man Cimino wanted, and then began the comedy of horrors that was the story of this film's making, told, by the way, in a splendid article in *Esquire* (January 2).

What emerged, after two years and two close brushes with death by Cimino and his lead actors, is nothing less than a grand combination of war film *cum* buddyhood flick *cum* in-depth probing of the contemporary American system of values. It is a film almost too neatly divided into three parts: the first introduces us to our characters in a steel mill town supposed to be located in western Pennsylvania (shot, actually, in several Ohio and Pennsylvania towns); the second takes three of the characters to hell in that now familiar place, Vietnam; and the third takes us back and forth to both worlds, somewhat awkwardly tying together the strands of the two earlier sections. If there is any obtrusive artifice in the film it is in this final section, where some of the improbabilities that Hollywood likes to foist upon us as plausible coincidences muscle their way into what has until then been a flawless weave of circumstance, of cause and natural effect. But even when we are asked to believe that in the very last hours of the American presence in Vietnam, as the helicopters were lifting off the embassy roof and the soldiers were pushing away those of our "friends' for which, suddenly, we had no reserve of friendship left, one of the protagonists could easily find one of the others, tucked away in a back street gambling palace, it is a suspension of incredulity that we permit, owing to the breathtaking fineness of what has come before.

What has come before is the guts of the American way of life laid before us in celebration and affection and not a little satiric observation, and then an excrutiating hour of horror in the jungles and prisons and battlefields of Vietnam. The first hour is lovely, fun, cozy, and it is also dour, cold, methodical. We meet Mike (De Niro), Nick (Christopher Walken), Steve (John Savage), and Stan (John Cazale, in his last role), and we meet their other friends, and some women who seem incidental and prove to be incidental; we meet the men at the mill, at their local taproom, and at Steve's wedding in a Russian Orthodox church whose onion-shaped domes and byzantine interior and booming choir give expression to the "simple" faith of the backbone of America. Steve, who is beautiful innocence incarnate, marries a girl who is beautiful and, as it happens, pregnant, but not (and he knows this) by him. Cimino has managed to avoid anything that smacks of the forced or the contrived in these opening scenes. He has, for that matter, shot the entire film on location, never using a studio for any scene throughout the movie. And he has peopled his wedding ceremony and his exuberant post-nuptial party with locals, who gaily whip themselves into a frenzy of joyful dancing and singing and who simply break away from the director's direction at some points and do what comes quite naturally to them. After the wedding, Mike (De Niro) saunters and then runs drunkenly down the streets, stripping off his clothing until he is quite naked. Then the men are off for one last hunt, one final encounter the next morning with their guns and that favorite American pastime of the urban proletariat, killing for sport. And then it is off to Vietnam for Mike, Steve, and Nick.

All along, in this perfect hour on home territory, Cimino has set symbols in our way, symbols we do not necessarily perceive as such when we first encounter them, some as heady as the ethic of the hunt itself, others as seemingly tangential as the somber, morose visit to the wedding ceremony of a Vietnam Green Beret veteran, and others even less apparently meaningful at the time we first encounter them.

And then, instantly, a shift to Indochina, to the central portion of the film, shot in Thailand. The gun so "honorably" employed in the deer hunt becomes here a pistol for Russian roulette. Our threesome endure capture by the Vietcong, who amuse themselves by obliging their prisoners to play the game with one bullet in the pistol

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Nick, Michael, Axel, Steven and Stan in Michael Cimino's *The Deer Hunter:* "the guts of the American way of life laid before us in celebration and affection and not a little satiric observation."

or be dunked in a cage set in a river, there, in most cases, to drown. The experience unhinges Steve and Nick, but Mike retains his poise and engineers his and his pals' escape. The agonizing killings that occupy so many minutes of this part of the movie are so explicit that some viewers will find them sickening. They are to be experienced only by those who are able continually to remind themselves that this is *only* a movie, or not experienced at all. What happens to the three friends becomes fully apparent to us only in the final third of the movie. Michael returns in one piece, a hero; Steve returns an amputee; and Nick returns in a box, and only after he has so internalized the horror he lived through in the prison that now, a deserter, he has become the daring Russian roulette player at a gambling den tucked away somewhere in the Saigon from which the Americans are now, for the last time, retreating.

Were its third section as controlled, as expertly devised, and as totally believable as the first two, no word would be too extravagant to use in lauding this film. But even where the magnificence of Cimino's venture falters, still the best touches are outstanding. We are, for instance, witness to an impromptu version of "God Bless America" that at once affirms the singers' love of their country and shouts their awareness of the failings of their government. Government alone commits the major atrocities of "civilized" man's history, and throughout the voyage of awakening that is the real hunt of *The Deer Hunter,* we are led, with the characters we accompany, to see wherein lie this America's virtues and vices.

A word or two about the performances. Meryl Streep plays the woman who loves both Nick and Mike, and she is the only female presence in the film that matters in the least. Though her role is small, she brings to it a rare force and an unusual beauty, and the very peripheral quality of her relationship to the central characters is a statement, however muted, of the essential maleness of this tale. Cimino and his co-writers are telling here several stories about America, all part of one perhaps subliminal story: our society is a sometimes pathetic mockery of true masculinity, *machismo variations* we might call it were it a ballet, and woman is for use, for abuse, for ritual, but she is not truly *of* that world so much as she is from time to time allowed to be *in* it. Streep is flawless.

Cazale, who knew he was dying even as he made the movie, plays the friend who does not go to Vietnam. He is the good buddy whom the others tease, who doesn't quite fit in partly because he can't go overseas with his pals. His is a pathetic, rather than a sympathetic, role, and Cazale gives it the grace and edgy charm it requires, and leaves through it a testament to his acting talent that will long commend his career to devotees of fine film.

Savage, the youngest of the actors and thus far the least well known, is required to undergo a transformation from the naif to the mutilated, and if at times his performance veers just a shade too obviously into the histrionic, he is at most points in the movie exactly right. Of Walken it can be said that he has acted brilliantly on stage for years and competently in mediocre movies for years, and never until *The Deer Hunter* has he shown on screen what layers of talent pulsate beneath that smooth, almost ethereally handsome, exterior. De Niro is, simply, smashing. If today anyone has a better candidate for the title Best Movie Actor of the American Cinema Now Working, please pass it along to me.

Vilmos Zsigmond directed the photography, which carries even this veteran genius to new heights. The Zsigmond touch sews the three parts of the movie

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together; I can think of few others who could come anywhere close to matching the man's feel for the right light, the right angle, the apt tracking necessary to sustain a scene's mood, indeed to create the mood. The music, by Stanley Myers, is generally mediocre, and at worst irritatingly bold: if these things can be tinkered with some day in the future, maybe Cimino will rethink the scoring and do something about Myers's music, though after what he has been through I doubt that he'll want to touch anything but his much deserved share of the take as the box office returns come in.

The Deer Hunter is a movie to be experienced with a mind open to troubling thoughts, with an eye for incredibly vivid images, with an awareness of the breakthrough this film is, and with an attitude that can read between some very heavy lines to arrive at a faintly but nevertheless clearly drawn lesson: we are shown a nation whose values are at variance with its customs, also whose values are sometimes inescapably perverted by and trapped by those customs, but whose homely values are at all times more worthy than the orchestrated fanaticisms of the government that would so dearly like us to believe that it is one with the people it ruins, depraves, and murders. ❑

LR's film critic hosts "The David Brudnoy Show" on WHDH-FM (ABC) and hosts "Nightscene" and is critic-at-large on WNAC-TV (CBS), both in Boston. He writes a nationally syndicated newspaper column, reviews books for several journals, and currently is directing a study group on the New Right at Harvard's Institute of Politics.

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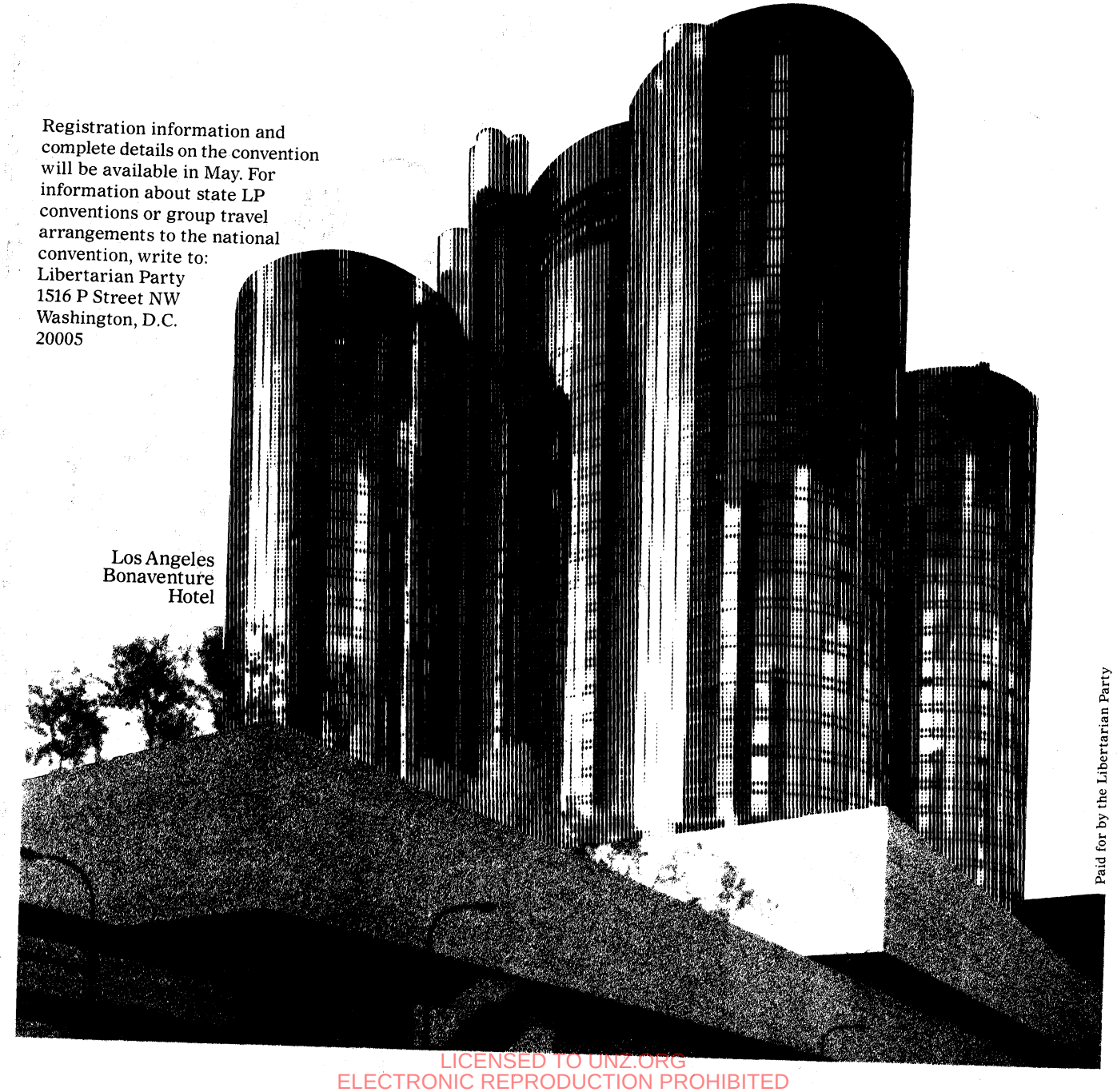

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